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Sitting on a goldmine
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Peter Martin, Page 10

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The FT 500
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Page 13; separate section

World Business Newspaper
THURSDAY JANUARY 25 1996

US approves use of controversial fat substitute in food

The US Food and Drug Administration approved the controversial fat substitute olestra for use in certain snack foods, but with warning labels that it may cause side-effects. The FDA said that because of its unique chemical composition, olestra adds no fat or calories and food made with it will be lower in fat and calories than that made with traditional fats. Page 3

Forte proposes management buy-out:

A day after Sir Rocco Forte (left) lost his company to Granada Group in a fiercely disputed £3.9bn ($6bn) takeover battle, the Forte chairman told Granada chief executive Gerry Robinson he plans a management buy-out of 167 Forte hotels – including the George V in Paris, the Grosvenor House in London and the Plaza Athénée in New York – in a deal that could be worth up to £3bn. Page 13

UK pushes Ulster elections: British prime minister John Major pinned his Northern Ireland strategy on elections to a constitutional convention after the three-man international body dismissed the British demand that the IRA give up some of its arms. Page 12; Editorial Comment, Page 11

Crédit Foncier de France, the specialist property institution, is seeking a single large shareholder to inject capital and shore it up from collapse after difficulties in obtaining lines of credit. Page 13

Russian rouble under pressure: The Russian rouble fell to Rbs4,716 against the dollar, from Tuesday's Rbs4,700. The government has promised to defend the rouble's exchange rate against the dollar within a band of Rbs4,700-Rbs5,100 until July 1. Page 2

US figures prompt rate cut rumours: Unexpectedly weak figures for US industrial production raised fresh doubts about the economy's momentum and prompted renewed speculation about an interest rate cut next week. Page 12

Grundig, German consumer electronics group, is to report a net 1995 loss of nearly DM500m ($347m) because of falling prices, the strong D-Mark, restructuring provisions and commercial misjudgements, according to senior company directors. Page 13; Lex, Page 12

Fokker shares halved: Fokker's shares lost nearly half their value as trading resumed after a two-day suspension, giving investors their first chance to react to news of the Dutch aircraft maker's dire financial straits and its filing for protection from creditors. Page 14; When big is not always best, Page 10

World manufacturing falls: Worldwide manufacturing output growth slowed to 3.2 per cent last year from 4.4 per cent because of weaker expansion in industrialised countries, according to a report by the United Nations Industrial Development Organisation. Page 4

Court martial for US soldier: A 22-year-old US Army medic was court-martialled for refusing to wear a UN beret and shoulder patch during a peacekeeping mission in Macedonia and will be discharged for bad conduct. US Congressional members are introducing legislation to make it illegal to order an armed service member to wear UN insignia. UN's peacekeepers live to fight another day, Page 4

Ciba sales hit by strong franc: Swiss pharmaceuticals and chemicals company Ciba said the strength of the Swiss franc cut sales by 3 per cent last year to SFr20.7bn ($17.4bn), from SFr22.05bn in 1994. Page 14

US renews China trade sanctions threat: The US administration has revived its threat to impose sanctions on Chinese exports if Beijing does not take more effective action to stamp out copyright violations on compact discs and computer software. Page 4

Five die in Naples explosion: Rescue workers said five people were killed and five others were believed dead after a building collapsed, triggering an explosion at a road tuinnel construction site in Naples.

French union plans more strikes: France's communist-led CGT trade union said it was calling a week of protests against government reforms next month, but stopped short of staging a repeat of last year's crippling public sector strikes.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,233.09	(+40.82)
NASDAQ Composite	1,040.70	(+12.66)
Europe and Far East		
CAC40	1,945.97	(+11.39)
DAX	2,423.07	(+38.60)
FT-SE 100	3,758.2	(+23.2)
Nikkei	20,312.74	(+231.82)

US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.117%
Long Bond	$111\frac{13}{32}$
Yield	6.025%

OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{4}$%	(same)
UK: 10 yr Gilt	$108\frac{2}{?}$	($108\frac{1}{32}$)
France: 10 yr OAT	106.79	(106.53)
Germany: 10 yr Bund	101.55	(101.22)
Japan: 10 yr JGB	110.974	(111.282)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.97	(16.83)

GOLD

New York: Comex		
Feb	$403.5	(403.6)
London:		
close	$402.9	(403.3)

DOLLAR

New York lunchtime		
£	1.5115	
DM	1.48215	
FFr	5.083	
SFr	1.1910	
Y	106.875	
London:		
£	1.513	(1.514)
DM	1.4803	(1.4773)
FFr	5.0758	(5.0596)
SFr	1.1901	(1.158)
Y	106.765	(105.82)

STERLING

DM	2.2397	(2.2366)
Tokyo $ close:	Y 106.80	

Albania	Lek 220	Germany	DM4.00	Lithuania	Lits 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$23	Malta	Lm0.55	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh15	Slovak Rp	Sk65
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	[illegible]	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	[illegible]	Syria	S£85.00
Estonia	[illegible]	Jordan	JD1.50	Poland	[illegible]	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Esc240	Turkey	L70,000
France	FFr11.50	Lebanon	US$1.50			UAE	Dh12.00

Indonesia plans N-plant on dormant volcano

By Manuela Saragosa and AFX News in Jakarta

Indonesia's President Suharto yesterday commissioned a blueprint for a controversial plan to build a nuclear power station on an inactive volcano on the densely populated island of Java.

A proposal to build a nuclear power plant on Mt Muria, central Java, has been in prospect for some years now, bringing criticism from environmentalists and energy consultants. But yesterday's move brings the project a stage closer to reality.

Energy consultants say that with Indonesia's vast reserves of coal, gas and its potential for geothermal and solar energy, no clear reason exists for it to build a nuclear plant. Concern exists that Indonesia does not have an independent regulator to oversee nuclear power.

Environmentalists have deplored the absence of public debate on the project and that previous feasibility studies have not been made public.

Some Indonesian geologists have argued that building a nuclear power station next to an inactive volcano is a gamble. Batan, the state's national atomic energy agency, says the volcano has been dead for 340,000 years.

Mr Djalim Ahimsa, head of Indonesia's Atomic Energy Council, did not name the consultants involved but said Atomic Energy of Canada (AECL) and a joint venture between Westinghouse Electric of the US and a company in Japan's Mitsubishi group had expressed interest in participating in the project.

After an audience with Mr Suharto, who is likely to have the final say on the project, Mr Ahimsa said the plant would be handled on a built-operate-own arrangement. The Indonesian government might own a stake through a state-owned company.

He said AECL's proposal was "detailed", including a proposal to sell electricity to PLN, the state electricity company, at a price set by the government. Unnamed Japanese and Swiss consultants are due to hand in a preliminary version of the plant's blueprint in July. Construction of the 1,800 megawatt plant is expected to begin in 1998 or 1999.

Giscard says criteria for Emu should be reviewed

By Lionel Barber and George Graham in Brussels

A call for flexible interpretation of the Maastricht treaty's rules on budget deficits to guarantee that monetary union will go ahead on schedule in 1999 came yesterday from Mr Valery Giscard d'Estaing, former president of France and an ally of President Jacques Chirac.

His remarks come amid growing doubts about the feasibility of the Emu timetable in the wake of an economic slowdown in Europe. They are certain to fan controversy in Germany where the Bonn government and the Bundesbank have insisted on a strict reading of the treaty.

There were also further signs of concern yesterday in Spain, where Mr Carlos Westendorp, the foreign minister, warned that the single currency faced a "credibility crisis" after sceptical statements by several leading politicians recently.

Mr Giscard made the suggestion at the end of a three-day European Commission-sponsored conference intended to lay the ground for promoting the Euro as Europe's future single currency at which he accused Emu opponents of conducting a "smear campaign". A co-founder of the European Monetary System, he began by acknowledging that France faced difficulties in meeting Maastricht's public deficit target of 3 per cent of gross domestic product. He blamed slow growth and lower than expected tax revenues.

He said the treaty criteria on public debt and budget deficits should therefore be interpreted to account for the effects of a slowdown. "We have to adapt to eliminate the impact of recession and low growth. This is just a technical point."

Mr Jacques Santer, president of the European Commission, declined to be drawn on whether he supported Mr Giscard. While the Commission was open to new ideas, "our duty is to be restrictive. We have to apply the treaty and the protocols in the treaty."

Several German bankers expressed private dismay that Mr Giscard had decided to open what one described as a "Pandora's box" over interpretation of the Maastricht treaty.

Dr Hartmut Knüppel, director of the Association of German Banks, welcomed the conference's commitment to the January 1, 1999 launch date for Emu

Continued on Page 12
Spain sows confusion, Page 3

German accord on jobless cuts

German chancellor Helmut Kohl, above, gestures during a cabinet meeting before an announcement that his government, the unions and employers were pledging themselves to a programme aimed at cutting public spending and reducing unemployment by 2m over the next five years.

The agreement, reaching during talks involving Mr Kohl on Tuesday night, was greeted by union and government representatives as an extension of Germany's postwar consensus tradition to resolve current high unemployment and sluggish growth. The unemployment level is expected to reach 10 per cent – 4m people out of work – in the coming months.

The response from industry was less enthusiastic. The accord aims to cut public spending's share of gross domestic product from 50 to 40 per cent but is vague on details on this and the employment measures. Report, Page 12 Picture AP

NTT unit signals revival in equity issues

By Emiko Terazono in Tokyo

NTT Data Communications Systems plans to raise Y97bn ($920m) through a public placement of 33,000 new shares, signalling a revival in Japanese equity issues following the Tokyo stock market's recovery last year. The move, by the data communications subsidiary of Japan's Nippon Telegraph and Telephone, is the largest Japanese public capital increase since April 1990.

Goldman Sachs in Tokyo estimated equity and equity-linked financing will reach Y4,800bn this year, almost double that of last year, as other companies seek to raise funds.

Reports that Sony, the consumer electronics group, was considering issuing up to Y300bn in domestic convertible bonds depressed its share price yesterday, falling 2.6 per cent to Y6,300.

But if the stock market keeps its present level, the government could also decide to sell further stakes in companies including Nippon Telegraph and Telephone and Japan Tobacco.

The easing of restrictions on the listing of warrant bonds could also encourage further equity issues. The government's minimum profit requirements for issuing warrant bonds have been abolished and a ban on over-the-counter companies issuing warrant bonds has been lifted.

The country's banks may also be tempted to issue preferred shares in an effort to boost their capital adequacy ratios.

NTT Data, listed on the second section of the Tokyo stock exchange last April, said part of the proceeds would be used to repay Y58bn of its Y500bn debts while Y39bn will be used for capital investment. The shares will be issued at a par value of Y3.05m. The issue is to be lead managed by Daiwa Securities.

A total of 6,000 shares will be offered overseas and 27,000 will be offered in Japan. Domestic subscriptions for the shares will be accepted today and tomorrow with payment set for February 14. Subscriptions for the overseas portion is from today through to February 14. The new offerings will bring NTT Data's shares outstanding to 253,000 shares.

Oleksy resigns as Polish PM after spy allegations

By Anthony Robinson and Christopher Bobinski in Warsaw

Mr Jozef Oleksy resigned as Poland's prime minister last night after military prosecutors decided to open a formal investigation into allegations that he had close links with Russian spies.

The resignation has brought to a head Poland's most serious political crisis since the end of communist rule in 1989 and could lead to the collapse of the coalition government led by Mr Oleksy's former communist Left Democratic Alliance (SLD), which took office two years ago.

In a televised speech, Mr Oleksy said he was resigning because he was innocent and wanted an opportunity to clear his name.

"I have never done anything to harm Poland," he said. "I have nothing to hide. I am not afraid of the investigation ... only that can show the truth and clear me of the charges."

Earlier, the Warsaw military prosecutor's office said it had decided to investigate formally the allegations that Mr Oleksy had "passed information to a foreign intelligence service".

The statement also named two Russian agents who are alleged to have cultivated the former prime minister in the 1980s and early 1990s. Mr Oleksy has said that he knew the two men, but had not passed information to them.

Joszef Oleksy: said he was quitting as PM to clear his name

The case surfaced in the final days of Mr Lech Walesa's presidency last month when Mr Andrzej Milczanowski, the outgoing interior minister and ally of Mr Walesa, released evidence gathered by his secret service that Mr Oleksy was a suspected Russian agent.

The investigation will enable the prosecutors to summon Mr Oleksy for questioning and decide then whether the case against him is strong enough to bring charges of treason which carry a maximum death penalty and a minimum 10-year prison sentence.

Mr Oleksy, who is immune from prosecution because of his status as a parliamentary deputy, had indicated that he would waive this immunity to clear his name.

Last night he said: "The propaganda against me and my party and the coalition continues, but the governing of the state cannot be disturbed. I have thought everything over and decided that my affairs and my fate must be put aside."

Mr Alexander Kwasniewski, Poland's president, now has 14 days to propose a new prime minister, who will have to win the approval of parliament in which the ruling coalition has a comfortable majority.

Mr Oleksy, Poland's sixth prime minister since the end of the communist regime, was a local party secretary before becoming minister in charge of relations with the trade unions during negotiations with the Solidarity alliance which led to the country's first semi-free elections in 1989.

He came to prominence after the 1993 parliamentary election when he was elected speaker of the Sejm, parliament's lower chamber.

Eighteen months later he became prime minister after pressure from then President Lech Walesa forced the coalition to drop another candidate.

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صكذا من الاصل

Fini pressed to back reform government

By Robert Graham in Rome

Mr Gianfranco Fini, leader of Italy's rightist National Alliance (AN), is under mounting pressure to back a broad-based government committed to institutional reforms.

The AN leader is refusing to drop his opposition to such a government although a leading member of his own party has helped draw up the framework for a new electoral system.

This framework has been prepared over recent days by "sherpas", including Mr Domenico Fisichella, former culture minister representing AN, the Forza Italia movement of Mr former premier Silvio Berlusconi and the Party of the Democratic Left (PDS), which dominates the centre-left alliance.

Part of the draft of this agreement was leaked yesterday in Il Giornale, the daily newspaper owned by Mr Berlusconi's younger brother, Paolo. Those involved in preparing the reform proposals were irritated by the leak, but they confirmed the substance.

The leak appeared intended to undermine Mr Fini by showing that while he was insisting on his own agenda for forming Italy's 55th post-war government, following Mr Lamberto Dini's enforced resignation on January 11, one of his representatives was in the advanced stages of striking a deal.

Mr Berlusconi and Mr Massimo D'Alema, the PDS leader, have already reached broad agreement on the need for a reform government, headed by a neutral figure like Mr Dini.

But Mr Fini – until now Mr Berlusconi's main ally in their right-wing alliance – is refusing to endorse Mr Dini for a second term of office. He is also questioning whether a government committed to a reform ticket would have the cohesion needed to stay together until 1997 to carry out these reforms or to conduct economic policy.

President Oscar Luigi Scalfaro has threatened to dissolve parliament if there was no agreement on a reform-based government.

One way out of the impasse would be for the PDS and Forza Italia to suggest another figure as premier. The names of Mr Carlo Azeglio Ciampi, ex-governor of the Bank of Italy and premier from 1993-94, and Mr Francesco Cossiga, the former president, have been mentioned. But replacing Mr Dini at this late stage would also complicate the formation of the next government.

Most commentators remain convinced Mr Fini will be forced to compromise. But he will only do this if he can show he has wrung substantial concessions that raise his profile above that of Mr Berlusconi.

Brussels to keep eye on farm aid

By Alison Maitland in London

The European Commission has drawn up measures to ensure that over Ecu6bn ($7.6bn) in new subsidies to farmers to benefit the environment are not being misappropriated.

There is concern in the commission that the subsidies – for such purposes as protecting and restoring grassland, hedgerows, stone walls, watercourses and wildlife habitats – may be slipping into farmers' pockets with no obvious return.

But the Commission faces opposition from some member states to the measures, set out in an unpublished document to be discussed by members at a Brussels meeting tomorrow.

The concerns over the subsidies – shared by environmental groups and the Paris-based Organisation for Economic Co-operation and Development – centres on the agri-environment regulation agreed by the EU in 1992 at the time of the price-cutting reforms of the Common Agricultural Policy.

A programme of schemes, projected to cost roughly Ecu6.5bn between 1994 and 1997, was devised to support farmers' incomes while benefiting the environment. The commission puts up half or three-quarters of the cost, depending on whether the region is listed as deprived, with member states paying the rest.

Only a few member states have introduced evaluation of their schemes to ensure the money does not end up as a backdoor subsidy with no clear environmental benefits.

The Commission says schemes are evaluated in the UK, Denmark and parts of Germany, but the situation is unclear in some member states. "And there are others we're sure don't do anything," an official said.

Member states have widely differing views of the schemes: some see them as a way of helping farmers "digest" the CAP reforms, others put more emphasis on environmental concerns.

The new draft regulation to be discussed by a Commission committee sets out rules on how to operate agri-environment schemes. These include the need for proper evaluation and for member states to report back to the Commission on the results.

The Commission – backed by Britain, the Scandinavian countries, the Netherlands and Portugal – is insisting member states pay for evaluation. Ireland, Italy, France, Spain and Belgium are understood to be resisting unless the Commission funds it.

Brussels is optimistic it will win the case for evaluation when it comes to a vote at the committee next month. "They can't afford to object publicly to such rules," said one official.

If it is agreed, that will not be the end of the matter. The Commission has to ensure countries comply.

But evaluating environmental improvements is a murky area.

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Polish inquiry will ask: did secrets pass to KGB man?

The investigation into Mr Jozef Oleksy will centre on whether his friendship since the early 1980s with Mr Vladimir Alganow, a KGB officer working under Soviet diplomatic cover in Warsaw, was an innocent social relationship or whether it involved him passing state secrets to Moscow, Christopher Bobinski writes from Warsaw.

Mr Andrzej Milczanowski, the former interior minister who provided the military prosecutor with evidence gathered by his secret service, told parliament in December: "According to the information at our disposal Mr Oleksy met many times with officers of a foreign intelligence service between 1990 and 1995. During these meetings he consciously passed over information and documents, some of which were secret."

Mr Milczanowski said Poland's security services had information that Mr Oleksy had been registered as a source of information and given a code name by a foreign intelligence service.

Newspaper reports later alleged that the documents passed to Russia's secret services included confidential reports for parliament's interior affairs and defence committees and reports on the work of foreign secret services in Poland prepared for the Interior Minister's political advisory committee.

Mr Oleksy has steadfastly denied the allegations. He maintains that his contacts with Mr Alganow and another Russian agent, Mr Grigrij Jakimiszyn, who succeeded Mr Alganow at Moscow's embassy in Poland, were simply social contacts with diplomats who were also his neighbours.

He says the friendship was "ill advised", given that he now knows that the two Russian were KGB agents.

Mr Oleksy will face a charge of treason if the prosecutor brings the case to court. This carries a maximum death penalty and a minimum 10-year prison term.

Anti-communism may hit economy

By Anthony Robinson and Christopher Bobinski in Warsaw

As Poles awaited yesterday's decision by the military prosecutor to open an investigation into the alleged KGB links of prime minister Jozef Oleksy a new eyecatching poster appeared on the walls of Warsaw's main shopping streets.

Put up by one of Poland's fiercely anti-communist fringe groups it reads "SLD-KGB" in stark red letters on a black background.

The poster campaign equating Poland's largest political party, the Democratic Left Alliance (SLD), with the former Soviet oppressors of Polish liberties, is part of a wider effort to undermine trust in those who wielded power in Soviet-controlled Poland, and became the largest party in parliament in September 1993.

Allegations that Mr Oleksy was a KGB informer surfaced only days before Mr Lech Walesa, the former Solidarity hero who helped destroy the Soviet system, stepped down after being defeated at the presidential elections in November by Mr Alexander Kwasniewski, another former communist.

But not all opposition figures supported the attempt to turn the Oleksy case into an anti-communist crusade. Soundings are being taken by right-wing and centrist parties about the possibility of weaning the Peasant party (PSL) away from its alliance with the SLD and replacing it with a new centre-right coalition.

In an open letter published this week in the Gazeta Wyborcza newspaper, Mr Jacek Kuron, who was the presidential election candidate for the Freedom *Union, the former Solidarity party,* warned against attempting to reverse the verdict of the elections by seeking to form a new coalition purely on the basis of anti-communism, and made possible by obscure secret service manoeuvres.

The question now is whether Mr Oleksy's resignation will usher in a new period of damaging political instability, and a further struggle for control over the security forces, or whether President Kwasniewski will be able simply to replace him with another SLD politician capable of winning a confidence vote in parliament.

One possible candidate is Mr Wlodzimierz Cimoszewicz, a former justice minister who is also a former communist but sits formally as an independent in parliament, while taking the SLD whip. The SLD, an alliance of several left-wing groups, controls 168 of the 460 seats in the Sejm, the lower house of parliament, and the PSL, its current junior coalition partner, holds another 130 seats.

This clear majority in parliament has enabled the coalition, originally led by the PSL and then by Mr Oleksy's SLD, to give Poland a degree of stability sufficient to accommodate both the government re-shuffle in February last year and a bitterly fought presidential election.

The coalition also introduced a long delayed mass privatisation programme and drew up two tough budgets which helped to sustain rapid economic growth accompanied by falling inflation.

Before the crisis erupted over Mr Oleksy's alleged KGB links the government looked set to last the full parliamentary term and was preparing to launch a full-scale reform of the social security system before the 1997 elections. The introduction of private pension funds and other reforms are aimed *at curbing inflationary demands on the* budget and creating new institutional investors.

Mr Grzegorz Kolodko, the non-party finance minister, warns that that a prolonged crisis or a decision to go for early general elections could disrupt *this timetable and indefinitely delay* one of the most important reforms in the pipeline.

He has just pushed through a 1996 budget which aims to keep the budget deficit at around 2.8 per cent of GDP, cut inflation to 17 per cent from last *year's 23 per cent and continue the* rapid economic growth. *Last year* growth exceeded 6.5 per cent and made Poland the fastest growing major economy in Europe.

Jozef Oleksy sits motionless as parliamentary colleagues vote 285-5 to make him prime minister last March. AP

Russian deputy PM reaffirms hard line

By Chrystia Freeland in Moscow

Mr Oleg Soskovets, the Russian first deputy prime minister, yesterday called for changes in the government's austere fiscal and monetary programme, in a sign that the hardline faction in the Kremlin has become emboldened by a recent spate of political victories.

"Many *mistakes* were made in the course of reform, prompted by the attempts of some leaders to mimic the market economy practices of other countries without taking the specific characteristics of Russia into account," Mr Soskovets said at a meeting of the state Committee on Metallurgy.

The remarks were seen as a veiled attack on the westernised, market reform faction in the cabinet, which was severely weakened by the dismissal last week of Mr Anatoly Chubais, who spearheaded Russia's privatisation programme, from his post as second deputy prime minister. Russian leaders have sought to assure western investors and governments that Mr Chubais's sacking did not signal a departure from market reforms, but Mr Soskovets's call for new economic policies could undermine that pledge.

Mr Soskovets, a long-standing champion of heavy industry and the defence sector and the second most powerful figure in the cabinet, said the government would consider ways of compensating Russian exporters *for* the losses they have suffered because of the appreciation of the rouble last year and would protect domestic producers from "dishonest" foreign competition.

Mr Soskovets's call for a departure from last year's belt-tightening policies was echoed by other senior Russian leaders.

Mr Victor Chernomyrdin, the prime minister, yesterday was reported to have promised that the government would invest Rbs10,000bn ($2.1bn) in the coal sector. Miners have not been paid their salaries for several months and are threatening to launch a nationwide strike.

One counterweight to the political temptation to loosen fiscal and monetary policy could be the International Monetary Fund. IMF *officials* were in Moscow this week to decide whether to release the latest tranche of a $6.25bn standby loan and to try to negotiate a new, three-year extended credit of $9bn.

Juppé finds foes on the left and right

France's PM has more than the trade unions to contend with, writes **David Buchan**

More than two months after announcing his controversial reform of the French welfare state, prime minister Alain Juppé at least scored a couple of successes yesterday.

The French cabinet approved two decrees. One imposes a *0.5* per cent tax on all income next month to start repaying the FFr250m ($50.4m) debt which the welfare system will have accumulated by the end of 1996.

The other decree implements measures to reduce the welfare system's current deficit from FFr60bn last year to FFr17bn this year. They include freezing some welfare payments this year, notably family allowances, and exacting a FFr2.5bn "contribution" from the pharmaceutical industry.

But these decrees need eventual endorsement by Mr Juppé's centre-right parliamentary majority which is giving the prime minister far more headaches than the left-wing opposition.

Like that of President Jacques Chirac, Mr Juppé's opinion poll rating has at last begun to climb off the floor where the December strikes left it; an IFOP survey taken in mid-January found a third of French satisfied with Mr Juppé.

This may be partly due to the prime minister's recent concessions. But these were not enough to deter the Communist-leaning CGT union federation from yesterday announcing "an action week" in early February. This is to consist of demonstrations rather than strikes to press CGT claims for wage rises, for reductions in working hours to create jobs and for the withdrawal of the Juppé welfare plan.

With only some teachers so far ready to join the CGT's agitation, there seems little immediate prospect of unions forming another common anti-government front as they did last month. But such is the fragile state of France that the CGT's announcement briefly shook a franc which – Bank of France's recent interest rates notwithstanding – had been strengthening.

Part of Mr Juppé's problem is that his December 21 "social summit" never produced a formal truce, let alone a peace pact. The unions went away muttering about possibly taking up cudgels against the government this month.

To his climbdowns last month on his plans to streamline the SNCF rail company and to reform public sector pensions, Mr Juppé this month added two more concessions. He agreed to put an FFr1.4bn increase in doctors' own social security charges into a medical re-training fund rather into the social security system's coffers, and effectively to give the unions a veto over his plan to tax family allowances from 1997.

Mr Juppé's current susceptibility to pressure was illustrated this week in the National Assembly debate on the constitutional amendment to bring welfare funding – which at FFr1,800bn a year exceeds the government budget of FFr1,500bn – under parliamentary control for the first time.

Back in November Mr Juppé called this change "the keystone" of his welfare reforms. But having received a bloody nose from the unions, who along with employers administer the welfare system, the government presented deputies with a plan that would allow them an "orientation" vote on welfare spending, and none on social security receipts.

After its backbenchers' revolted, the government rewrote the constitutional amendment to allow deputies some say on welfare receipts.

Following last year's introduction of a single October-to-June parliamentary session, Mr Juppé is the first prime minister since the Fifth Republic's creation in 1959 to have deputies hanging around in Paris in the January-March period . Mr Juppé is finding deputies as keen on getting their teeth into him as into the ample legislation he is putting before them.

Despite becoming president last October of the RPR Gaullist party, Mr Juppé is finding the party barons hard to control, particularly Mr Philippe Séguin, the National Assembly president who has been trumpeting about the "historic stupidity" of Maastricht, and the followers of his predecessor, Mr Edouard Balladur.

His support in the UDF federation, the junior coalition partner, is also threatened by the fairly public plot by the main components of the UDF to oust Mr Valéry Giscard d'Estaing – a key Chirac-Juppé backer – from the federation's presidency in late March.

Even more inexorable pressure is coming from the economy itself. Most predictions put growth this year at least 1 percentage point below the 2.8 per cent forecast last autumn; a one-point drop in the growth rate is reckoned to swell the combined budget-welfare deficits by FFr40bn.

Campaigning for some economic reflation, Mr Balladur of the RPR and Mr Francois Léotard of the UDF had called on the government to delay the welfare debt-repayment tax.

The tax still went through yesterday. But their campaign may yet have the effect of undermining the public impact of the modest extra measures for house building, consumption and small businesses Mr Juppé plans to unveil by the end of this month.

EUROPEAN NEWS DIGEST

German repo rate now 3.55%

The downward trend in German short-term interest rates continued yesterday as the closely-watched securities repurchase (repo) rate fell to 3.55 per cent from 3.65 per cent, giving a further impetus to some economists' hopes of further cuts in the discount and Lombard rates. The Bundesbank last cut these rates by half a percentage point to 3 and 5 per cent respectively in mid-December.

Since then, signs of a weakening economy have mounted. The Bundesbank insists its interest rate decisions are based primarily on the money supply trend – M3 has recently been growing at well below target – but a number of economists expect the worsening economic data to speed consideration of further reductions in official short-term rates.

Several Bundesbank directors have recently indicated more rate cuts could be on the way, though emphasising that the impact on M3's development of the last discount and Lombard rate moves would have to be awaited. Mr Johann Wilhelm Gaddum, the Bundesbank's deputy president, said last week that the repo rate – set in banks' refinancing transactions with the German central bank – still had scope to fall to 3.25 per cent after December's rate reductions. Thus economists expect any further discount and Lombard cuts to come around March or later. *Andrew Fisher, Frankfurt*

Currencies and Money, Page 21

Portuguese social pact agreed

Portugal's Socialist government yesterday agreed with trade unions and employers' organisations on a social pact that includes reducing the maximum working week from 44 hours – the longest in the EU – to 42 hours by next September and 40 hours within the following year. However, the Communist-dominated CGTP-Intersindical union federation declined to sign the pact after rejecting provisions that will oblige workers to accept more flexible working hours and job descriptions.

The accord, which sets minimum terms for collective bargaining in all sectors, also establishes a benchmark of 4.5 per cent for wage rises in 1996, one point above the government's inflation target. The minimum industrial wage is to be increased by 5 per cent to Es54,600 ($364) a month.

The government also approved the broad outline of its 1996 budget yesterday, setting a budget deficit target of 4.2 per cent of GDP, just within this year's criteria for European monetary union of 4.8 per cent. The full budget is to be presented to parliament next week. *Peter Wise, Lisbon*

Bulgarian bank chief named

Mr Lyubomir Filipov was yesterday appointed governor of the Bulgarian National Bank in succession to Mr Todor Valchev. Mr Filipov, who had been deputy governor, was backed by the large Bulgarian Socialist party majority in parliament but has been accused by the opposition Union of Democratic Forces of being directly linked to the BSP. The Socialists have asked the deputy governors of the bank to step down in order to be replaced by a new team, but they have refused for the time being as their terms have not expired under the current bank regulations.

Mr Filipov faces the difficult task of improving supervision of the banking sector and persuading banks to tighten lending. These issues have been outlined as key problems by a World Bank mission in Sofia this week. Mr Filipov says the central bank will continue its lending restrictions and will only depreciate the currency gradually to keep the pressure on inflation. His priorities, apart from bank supervision, will be a more efficient monetary policy and further consolidation of smaller banks. *Theodor Troev, Sofia*

Tussle over Bonn telecoms

A squabble between two German ministers about who gets to run Germany's new telecoms watchdog has delayed approval of the new law by Chancellor Helmut Kohl's government, Bonn officials say. The new law, to regulate telecoms after liberalisation in 1998, was to have been approved during yesterday's cabinet meeting but is now likely to be presented at the next meeting on January 30. By then officials hope that Mr Günter Rexrodt, economics minister, and Mr Jürgen Rüttgers, research and technology minister, will have sorted out whose ministry will oversee the new authority.

The tussle is complicated by the fact that the ministers are from different parties within Mr Kohl's coalition government and cannot be seen to be ceding power to each other. Mr Rexrodt, a member of the small Free Democratic party, is likely to oversee the new authority but Mr Rüttgers, a member of Mr Kohl's Christian Democratic Union, is understood to have demanded the right to take over responsibility for aerospace and vocational training. *Michael Lindemann, Bonn*

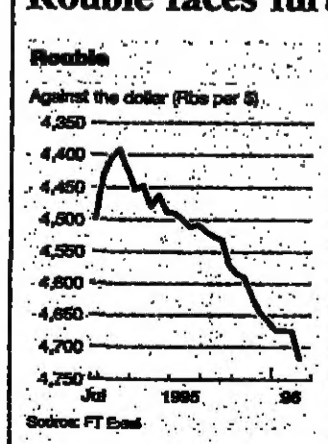
Moldova rebels in tax plan

Moldova protested yesterday after its separatist Trans Dnestr region said it would tax goods crossing its territory. A representative of Moldovan President Mircea Snegur said the move came as a shock because Trans Dnestr leaders had agreed on Tuesday to resume talks over the legal status of the rebel region, after a four-month break. He said the decree contradicted a joint declaration signed by Moldovan and Trans Dnestr leaders in July that both sides would remove all obstacles to normal relations.

Trans Dnestr radio said the move was part of efforts to avert economic collapse in the troubled region, where a state of emergency went into effect last week. Trans Dnestr accuses Moldova of imposing an economic blockade. Wages in Trans Dnestr average the equivalent of $10 a month compared to $40 in the rest of Moldova. The Moldovan government blames Trans Dnestr's economic collapse on isolationism and lack of reform. *Reuter, Chisinau*

ECONOMIC WATCH

Rouble faces further pressure



The Russian rouble yesterday fell to Rbs4,716 against the dollar, from Tuesday's Rbs4,700. Since the autumn, it has been slowly pushed down by continued monthly inflation levels of more than 3 per cent and fears of a shift in economic policy following the strong showing of communists and nationalists in December's parliamentary elections. The government has promised to defend the rouble's exchange rate against the dollar within a band of Rbs4,700 to Rbs5,100 until July 1. However, traders predicted the currency would come under continued pressure this month. The markets are particularly uneasy following the sacking last week of Mr Anatoly Chubais, the architect of Russia's market reforms, from his cabinet post. Although President Boris Yeltsin has promised that reforms will continue, he has also said he will improve the country's social welfare net and boost investment in industry, pledges which could lead to a jump in inflation and a weakening of the rouble. *Chrystia Freeland, Moscow*

■ Spanish industrial output rose 1.2 per cent in November from a year earlier, compared to a 3.4 per cent year-on-year increase in October. Mr Pedro Solbes, economy minister, said yesterday the budget deficit had narrowed 9.4 per cent in 1995 to Pta3,150bn ($25.9bn) from Pta3,477bn in 1994. In December it widened to Pta713.4bn from Pta166.0bn in November and from a Pta629.2bn deficit posted in December 1994.

■ Sweden's current account showed a surplus of SKr3.8bn ($576m) in November 1995, an increase from SKr1.4bn in November a year earlier.

NEWS: EUROPE

Spain sows confusion on Emu timing

By Tom Burns and David White in Madrid

The Spanish government claimed yesterday it was on course to participate in the single European currency after creating confusion over Madrid's stance on the 1999 deadline for its introduction.

Mr Pedro Solbes, the economics minister, said Spain had the "very clear objective" of doing "everything possible" to join the 1999 start-up of economic and monetary union (Emu) and that he was "very optimistic" Spain would be a participant in the single currency.

The minister based the upbeat prospect on a 9.5 per cent fall in the state's cash deficit in 1995, a fall that improved on the government's goal for the year of an 8.4 per cent reduction.

Mr Solbes said Spain was now in a position to wrestle its consolidated budget deficit down to 4.4 per cent of gross domestic product this year and to 3 per cent in 1997, thereby meeting a key condition to participate in Emu. He said the budget deficit for 1995 could come in below the 5.9 per cent of the GDP projection that had been written into Spain Emu convergence programme.

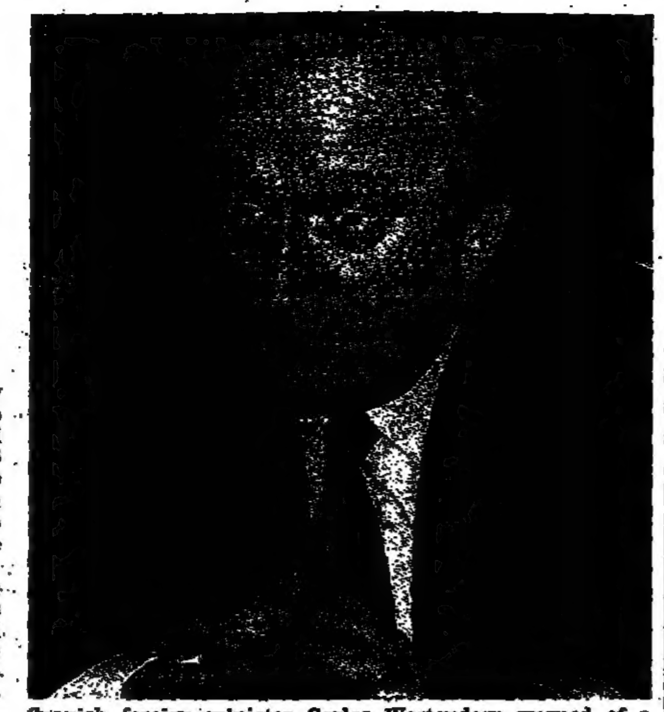
Confusion had earlier been sown by informal remarks made to journalists in Madrid by Mr Carlos Westendorp, the foreign minister. His statement was interpreted as suggesting the possible postponement of Emu if too few countries were able to qualify.

Mr Westendorp yesterday denied he was questioning the qualification criteria or the 1999 deadline, and said Spain should and could – with effort – be in the first group of single currency countries.

However, he said it would be "unhealthy" if Germany and France were the only big EU countries to start up the single currency. The Euro would be impossible without their presence, but the participation of at least one or other larger EU member – Italy, the UK or Spain – was required to make the project politically viable, he said.

Warning of a "credibility crisis" surrounding the single currency scheme, Mr Westendorp said it might be necessary to "stop the clock" for several months to allow Emu participation by countries which might be disqualified on the basis of their economic performance after the end of 1997, the reference point for joining the single currency.

Mr Solbes, who was clearly embarrassed by Mr Westendorp's reported calls for the postponement of the single currency, said the foreign minister had been discussing hypothetical situations in an off-the-record briefing. Such remarks did not "in any way represent the view of the government", he said.


Spanish foreign minister Carlos Westendorp warned of a 'credibility crisis' surrounding the single currency scheme

'Dirty war' woes for González

By David White

Spain's centre-right opposition yesterday turned up the heat on Mr Felipe González, the Socialist prime minister, after a Supreme Court judge directly connected his government with the organisation of anti-terrorist hit squads in the 1980s.

Judge Eduardo Móner charged Mr José Barrionuevo, the former interior minister, over a kidnapping in the south of France in 1983. Mr Barrionuevo is accused of illegal detention, misuse of public funds and association with an armed group.

The charges relate to allegations that Mr González and his government backed or condoned the "dirty war" against suspected Basque separatist guerrillas based in south-west France during the 1980s – a claim the prime minister has denied.

The opposition Popular party, already leading in the polls ahead of general elections on March 3, demanded that Mr González provide explanations to congress's standing committee during the current parliamentary recess.

Mr Federico Trillo, the Popular party's justice spokesman, described yesterday's charges as "tremendous". It is the first time since the restoration of democracy in Spain in the late 1970s that a former minister has faced criminal charges.

Mr Barrionuevo, interior minister in Mr González's first government from 1982 to 1988 and a close colleague of the prime minister, was expected to appeal to avoid trial, in which he could face a sentence of up to 30 years in prison. Judge Móner, in charge of investigating allegations against the former minister and other politicians, including Mr González himself, made clear that Mr Barrionuevo and his former security chief, Mr Rafael Vera, stood accused of directing the so-called Anti-Terrorist Liberation Groups (Gal), which are blamed for some 26 killings between 1983 and 1987.

The judge based his decision on evidence from 14 other government, party and police officials already formally charged in the Gal case.

The latest development poses an immediate dilemma for the Socialist party, which has voiced strong backing for Mr Barrionuevo and included him on its election list for the Madrid area.

Mr Barrionuevo is accused of authorising the detention of a man who was taken captive in a case of mistaken identity during an operation in the French Basque country. The kidnapping was used to obtain the release of four Spanish policemen held in France as a result of an earlier bungled kidnap attempt.

Judge Móner said that in his opinion the gravity of the case meant that Mr Barrionuevo would not be protected by a 10-year proscription rule. His statement said that the kidnap operation was financed by FFr1m from Spanish public funds. The accusation against Mr Barrionuevo was one of "omission" since it was his duty to prevent the payment going through.

Will democracy club admit Mr Boris Yeltsin and friends?

Western test for Russia

By Chrystia Freeland in Moscow and Caroline Southey in Brussels

Few western leaders pay much attention to the Council of Europe, a Strasbourg-based assembly of parliamentarians from 38 nations which seeks to promote human rights and democracy.

But its debate today on whether to admit Russia is being seen in Moscow as a test of the west's support for Russian President Boris Yeltsin and of its willingness to view the Kremlin boss as the guarantor of his country's fragile democracy.

Mr Yeltsin upped the political ante this week when he issued a public statement warning the Council that failure to admit his country would be interpreted as "a refusal to support those who are fighting for democratic institutions and democratic principles in Russia" and would give tacit backing to Chechen rebels who have resorted to hostage-taking in their fight for independence.

Even before Mr Yeltsin's bold call there were signs across the European Union of a shift away from earlier antagonism to Russia's membership.

Although the Council of Europe froze Russia's application for seven months last year to protest against the Kremlin's brutal crackdown against Chechen separatists, European leaders have become unwilling to reject Mr Yeltsin a second time, particularly in view of the growing strength of his domestic communist and nationalist opponents.

In Madrid last month EU heads of state made it clear they wanted Russia brought in rather than kept out of the Council, a message which appeared to have reached delegates, judging by informal votes in party meetings this week; there was overwhelming support for Russia's membership in both the socialist and liberal groups. However, Christian Democrat delegates were evenly split on the issue, while the vast majority of conservative parliamentarians were strongly against.

"The wind has been blowing in favour of Russia since the beginning of the week," an official for the Council in Strasbourg said. "There has been a lot of lobbying going on and the idea is getting through that the more Russia is involved in the west the better it will be for security."

Closer to home, Mr Yeltsin's attempt to join the European club has encountered stiff opposition, as politicians from neighbouring countries and leading Russian democrats warn that the Kremlin boss should no longer be viewed as a reformer. Fourteen former communist states have joined the Council since 1989.

Mr Viacheslav Chornovil, a political dissident under the Soviet regime and now a Ukrainian delegate to the Council, said many east European politicians, who fear Mr Yeltsin's hardline shift could herald a new era of Russian imperialism, may abstain from today's vote.

Leaders in Moldova, another ex-Soviet republic now a member of the Council and which is still trying to evict more than 10,000 Russian soldiers from its territory, said they might oppose the Russian application.

Within Russia itself, the country's leading human rights activist publicly cut his political ties with Mr Yeltsin and warned the Council to admit Russia only if it was prepared to impose strict conditions.

In an open letter to Mr Yeltsin published yesterday, Mr Sergei Kovalyev resigned from his position as the chairman the president's human rights commission because he said the Kremlin chief had abandoned democratic reforms.

"If democracy in Russia has a future (as I hope it does) it will be in spite of you and not thanks to you," Mr Kovalyev wrote.

'A negative vote would create a political curtain between the two parts of Europe. Russia is part of that Europe, a legitimate child and not a bastard'

The Russian human rights advocate said he planned to send the Council a letter today in which he will urge the assembly to make Russian membership conditional upon a peaceful settlement of the war in Chechnya.

Ironically, while Mr Yeltsin's former allies are advising the Council to be cautious in its attitude to Russia, the president's most dangerous political rivals are supporting the Russian application.

Mr Gennady Zyuganov, the Communist leader whose party dominated December parliamentary elections, yesterday called on the assembly to admit Russia. Mr Zyuganov, who will be a member of the Russian delegation which attends today's Council session, said: "A negative vote would create a political curtain between the two parts of Europe. Russia is part of Europe, a legitimate child and not a bastard."

But Russia's application also risks being undermined by some of its more unsavoury supporters.

Another member of the Russian delegation is Mr Vladimir Zhirinovsky, the flamboyant ultra-nationalist whose party controls one of the biggest fractions in the Russian parliament. A harsh outburst today from Mr Zhirinovsky, who is know for his racist and anti-western rhetoric, could alienate undecided assembly members.

Chechen fighters yesterday released some 42 civilian hostages, who had been seized in a raid this month and had survived a bloody attack by would-be Russian liberators, writes Chrystia Freeland. In an embarrassing rebuke to the Kremlin, Chechen separatists held an official farewell ceremony for their captives and provided them with a yellow bus for their journey back to their homes in neighbouring Dagestan.

Dagestani officials, who met Chechen rebels before the hostages set off for their homes, thanked the Chechen separatists for releasing their captives.

Last week, Russian troops launched a devastating assault on the village of Pervomaiskoye, where the hostages and their Chechen captors were besieged by Russian forces. Moscow said the operation was an attempt to free the captives and accused the Chechens of slaying their civilian hostages.

But after their release yesterday many of the former hostages said they had been well treated by the Chechen fighters, who took some of their captives with them last week when they broke through the ring of Russian troops surrounding Pervomaiskoye. The Chechens are still holding some police commandos who were seized outside Pervomaiskoye. They want to exchange them for rebels captured by the Russians.


Yeltsin: tarnished image as west's democratic champion

NEWS: THE AMERICAS

New fat substitute approved by FDA

The US Food and Drug Administration yesterday approved the controversial fat-substitute olestra for use in certain snack foods, but with warning labels about possible side effects, Reuter reports from Washington.

The FDA said that because of its unique chemical composition, olestra adds no fat or calories to food, and so potato chips, crackers and tortilla chips made with it will be lower in fat and calories than those made with traditional fats.

Mr David Kessler, FDA Commissioner, said in a statement that "Olestra may cause abdominal cramping and loose stools in some individuals, and inhibits the body's absorption of certain fat-soluble vitamins and nutrients."

He said the FDA was requiring the makers to label all foods which are made with olestra and, to protect the public health, to add the essential vitamins A, D, E and K.

As a condition of approval, the FDA said, Procter & Gamble will conduct studies to monitor consumption as well as studies on olestra's long-term effects, and that the agency would review the studies in a public meeting within 30 months.

The agency said its approval meant that it had determined that the available data and information established that olestra was safe for use in savory snacks.

The FDA said the following label statement would be required on all olestra products:

"This product contains olestra. Olestra may cause abdominal cramping and loose stools. Olestra inhibits the obsorption of some vitamins and other nutrients. Vitamins A, D, E and K have been added."

The FDA said that while olestra may cause cramping and loose stools, these gastro-intestinal effects do not have medical consequences and that the labelling would advise consumers to stop using olestra if appropriate.

Pomp helps push Clinton message

By Patti Waldmeir in Washington

When it comes to projecting personality, none of the current crop of US presidential candidates can beat President Bill Clinton – and certainly not his chief rival, Mr Bob Dole, the Majority Leader in the Senate.

On Tuesday night, the two men held what amounted to an unofficial campaign debate. Mr Clinton spoke first, addressing Congress and the nation for an hour on prime time television with his annual State of the Union speech.

Mr Dole replied, from his office in the Senate. By the time the pundits and pollsters had had their say the following day, the verdict was clear: Mr Clinton won on body language.

The setting helped. Mr Clinton dominated a packed chamber of the House of Representatives, with the assorted luminaries of American life: joint chiefs of staff, Supreme Court justices, and senators arrayed at his feet.

He could count on applause to provide the rhythmic cadenzas and crescendos for prose which did not naturally soar.

Even the controversy over his wife, who will tomorrow testify before a grand jury over the Whitewater affair, could not spoil the mood.

He defended her with emotion and obvious sincerity, calling her a "wonderful wife, a magnificent mother, a great First Lady".

The natural props for Mr Dole's speech, recorded in his flag-draped Senate office, put him at an immediate disadvantage: no applause; no pomp; no elevation.

But the 72-year-old Republican candidate's performance was handicapped by more than setting. Even at its most passionate and forceful, his voice held the tell-tale quiver of age. If elected, he would be the oldest President ever to begin a term in the White House. On Tuesday night, it showed.

In a campaign focused more on leadership than policy, form counts. Mr Dole's form was not only shaky, but confrontational, contrasting sharply with the conciliatory tone adopted by his rival.

At a time when opinion polls show most Americans disgusted by Washington bickering, walkouts and government shutdowns, Mr Clinton rose above the fray to stake a claim to the moderate middleground.

But what they actually said was remarkably similar. Both seemed to choose from the same pool of political rhetoric, pledging allegiance to smaller and cheaper government, to family values, self-reliance and community effort.

The fact that Mr Clinton chose from that pool, outlining themes borrowed liberally from the Republicans, highlights the degree to which the rhetorical agenda has shifted since he took office in 1992.

But there was ample evidence in the speech of a divergence between action and rhetoric. While proclaiming the "end of big government" no less than three times, Mr Clinton outlined no new plans to curtail its scope, and several small measures to extend it.

As Mr Newt Gingrich, the Republican House speaker, said afterwards, Mr Clinton is "governing like Lyndon Johnson, but talking like Ronald Reagan."

Mr Gingrich probably overstates the fact: Mr Clinton cannot govern like Johnson, author of the Great Society social reforms, because public opinion makes that impossible; nor can he really talk like the minimalist Reagan.

But Mr Gingrich highlighted a basic confusion in the Clinton message, and one which attracted much post-speech comment: does Mr Clinton believe the conservative rhetoric which on Tuesday night allowed him to command the political centre?

Would he, as Mr Gingrich alleges, "talk in the centre and govern on the left, and hope the country never picks up the difference?"

The next few days will test that commitment: funding for government departments will run out again tomorrow, unless Congress and the White House agree another temporary extension. The risk of a default on national debt payments looms at the end of next month.

In the wake of Mr Clinton's speech, both sides were sounding positive about a temporary funding deal: House Republican leaders emerged from a meeting yesterday to say they did not believe a complete balanced budget deal was possible while Mr Clinton was in the White House.

But they offered a "down payment" on a deal, enshrining agreements which had already been reached and leaving the rest to be resolved by the November election.

That will provide Mr Clinton and Mr Dole with many more opportunities for debate, before the year is out.


President Bill Clinton waves to supporters before giving his state of the Union address on Capitol Hill Associated Press

US seeks to scupper EU-Russia N-deal

By Afshin Molavi in Washington

US officials say they are working to prevent an imminent nuclear transaction between Russia and the European Union that would in their view undermine two pillars of Washington's non-proliferation policy.

Euratom, the nuclear agency of the European Union, is nearing agreement with Russia to purchase bomb-grade, highly enriched uranium for use in European nuclear research reactors.

US officials said the deal would contravene their five-year-old effort to keep Russian bomb-grade uranium out of the international market. The transaction would also threaten the demise of a US-led international effort to wipe out civilian commercial traffic in bomb-grade uranium, they added.

"We feel that the deal would set an unfortunate precedent," a senior state department official said.

Washington is reluctant to pick a fight with Moscow on this issue, particularly with the recent bitter dispute over Russian nuclear sales to Iran still rankling both sides.

But US vice-president Al Gore will broach the subject with Mr Victor Chernomyrdin, the Russian prime minister, this month.

Since 1978, the international community broadly agreed drastically to reduce the use of bomb-grade uranium in research reactors because of the security risks involved.

The US encouraged the Europeans to switch to low-enriched uranium reactors, by offering to dispose of spent fuels and threatening to cut off the supply of bomb-grade uranium unless the change was made or pledged in the future.

Some 53 reactors around the the world – most of them in Europe – have been converted, closed down or have started converting since the onset of the programme.

"We employed the carrot and stick method quite well," said Alan Kuperman, senior analyst with the Washington-based Nuclear Control Institute, "and this Russian deal undermines our stick."

In a letter to Mr Warren Christopher, the US secretary of state, the nuclear watchdog group argued the Russian-EU deal would "convey to Moscow the unmistakeable message that bomb-grade uranium is a good source of hard currency export earnings."

Four European research reactors still use bomb-grade uranium and have failed to pledge a switch, prompting the US to cut off their supply in 1992.

The reactors are in France, Belgium, and Holland.

But US officials believe plans to build a research reactor in Garching, Germany are the main factor behind the Russia-Euratom deal.

AMERICAN NEWS DIGEST

Colombia health minister quits

Mr Augusto Galan, Colombia's health minister, has resigned from the cabinet in the wake of allegations by former defence minister Mr Fernando Botero that President Ernesto Samper knew the Cali drug cartel partly funded his 1994 election campaign.

The leadership of Mr Samper's Liberal party appears divided about whether the president should resign, or recall congress for a debate and further investigation of his conduct, or hold a plebiscite on his administration's future. Opinion polls after Mr Botero's allegations gave the former minister the benefit of the doubt – most of those interviewed believe Mr Samper knew about drug contributions to the campaign and is covering up.

Protesting students marched to the presidential palace on Tuesday, demanding Mr Samper's resignation and further demonstrations are planned. *Sarita Kendall, Bogotá*

Salomon in Venezuela sell-off

The Venezuelan Investment Fund (FIV), the government body which manages the privatisation process, has chosen Salomon Brothers to handle the sale of Siderurgica del Orinoco (Sidor) and Fesilven, the state-owned steel and iron companies, respectively. Sidor's sales in 1995 totalled $1.05bn at last year's exchange rate.

The sale is to take place before the end of this year, though it is still uncertain whether the two companies will be put on the block separately or as a single unit. Officials of the FIV, Salomon Brothers and the government are to meet next week to discuss details of the privatisation timetable and the treatment of outstanding company debt. The sale of Sidor and Fesilven is part of a package of 24 state enterprises to be privatised by early 1997, which could raise as much as $3.5bn, according to government estimates. *Raymond Colitt, Caracas*

India, Brazil discuss N-accord

India and Brazil may work together to develop nuclear technology for peaceful uses, Brazilian President Fernando Henrique Cardoso said yesterday. Mr Cardoso made his remarks to reporters after his arrival in New Delhi at the start of a four-day visit, the first by a Brazilian head of state.

Brazil has one of the world's largest reserves of thorium, a radioactive chemical from which fuel for reactors can be made. It is interested in Indian advances in processing thorium. Both countries have nuclear power programmes and have not signed the Nuclear Non-Proliferation Treaty, which calls for international inspection of power plants. India conducted an underground nuclear test in 1974. Co-operation would not extend to military uses of the atom, Mr Cardoso said. *AP, New Delhi*

Argentines protest at Madonna

Anti-Madonna protests in Argentina may force the makers of "Evita" to shoot more of the film in Hungary than they had planned, the Budapest daily Kurir said yesterday.

The US singer, who stars in the $60m film, has been the target of a hate campaign in Buenos Aires, where many Argentines believe she will cheapen the image of Eva Peron.

Madonna arrived in Argentina to start filming on Saturday and has been doing her best to persuade the country she will not besmirch the memory of Eva Peron, but a television poll on Monday showed she is still unwelcome.

Eva, known as Evita, was the second wife of populist president Juan Peron, who ruled Argentina from 1946 to 1955 and from 1973 to 1974. *Reuter, Budapest*

NEWS: INTERNATIONAL

UN's peacekeepers live to fight another day

Despite the Bosnian fiasco and a deep financial crisis, the role of the blue berets around the world is far from over

UN peacekeeping, an activity whose reputation has soared and plunged over the past five years with bewildering speed, has survived the torrent of abuse which followed the collapse of its mission in Bosnia.

But financial pressures, and the deep scepticism of the US Congress, loom over the peacekeeping operations.

As the world body enters its 51st year, more than 30,000 blue helmets are at work in 15 trouble spots, ranging from the green line in Cyprus, to Angola where 6,500 UN soldiers are trying to bring 20 years of civil war to an end.

There is little prospect that UN peacekeeping will ever again match the zenith of influence it attained in 1994, when the number of peacekeepers exceeded 70,000, and an over-ambitious effort to quell the warlords of Somalia was still in progress.

But predictions of the imminent death of peacekeeping, widely heard last autumn when the mission to Bosnia collapsed, have proved – so far – to be exaggerated.

In recent weeks, Haiti's President-elect Rene Preval has asked the 5,500-strong UN force in his country, whose mandate expires on February 29, to extend its stay by six months.

A looming ethnic crisis in Burundi – and the danger of a bloodbath on a scale similar to that suffered by neighbouring Rwanda in 1994 – have forced the Security Council to consider urgently the drawing up of a rapid reaction force.

Even in former Yugoslavia, where the UN's behaviour was widely denounced as a byword for indecision and muddle, the blue helmets have been given a small new lease of life.

A Norwegian UN medic helps evacuate a Bosnian child AP

The US government, which excoriated the peacekeepers' record in Bosnia, has cajoled an initially reluctant UN secretariat into taking responsibility for a 5,000-strong mission to eastern Slavonia, the Serb-held area of eastern Croatia.

The UN has also been entrusted with the deployment in Bosnia of a 1,700-strong international police force, and the monitoring of a Serb-Croat ceasefire in the sensitive area of Prevlaka.

Mr Mats Berdal, an expert on peacekeeping at the International Institute of Strategic Studies, thinks the blue helmets will retain a wide variety of roles – going far beyond the policing of ceasefire lines – in the post-Bosnian world. These jobs will include election monitoring – an area where the UN has a good track record in central America and Africa; the demobilisation of guerrilla forces, which the UN managed well in Namibia; and even forming provisional administrations, as in Cambodia.

The prospect of new responsibilities has secured a stay of execution for a peacekeeping department where the UN's financial manager, Mr Joseph Connor, had threatened swingeing cuts late last year.

Mr Connor initially announced that all short-term contracts would be allowed to expire, and the New York staff of 300 would be halved. Now these moves have been put on hold till the end of March.

The peacekeeping department's ultimate fate may depend in large measure on the influence of Ms Madeleine Albright, the US ambassador to the UN. She is currently on a five-nation tour of Africa that underlines her government's interest in mitigating intractable conflicts, even in areas where the US has no strategic interest.

But the administration's hopes of using financial pressure to force a slimmer and more efficient UN into existence have been dashed by the budget battle with Congress.

Mr Connor admitted this week the the UN was "heading for brink" in financial terms, as arrears on the regular budget top $1.6bn and arrears on the separate peacekeeping account exceed $1.7bn. He declined comment on suggestions that huge staff cuts were being prepared. European diplomats have been astonished by the intensity of anti-UN feeling in the US Congress: one ambassador who went to Capitol Hill recently to complain about US arrears was abruptly told by a Senator to stop wasting his breath.

The denunciation of the UN's role in ex-Yugoslavia will rise to a new crescendo today with the publication of a collection of essays by more than 20 writers detailing the failure of peacekeeping's most ambitious project. Singled out for opprobrium is the UN's failure to protect the six Bosnian strongholds which were designated as "safe areas" by the Security Council in 1993 – including Srebrenica and Zepa, whose fall last summer led to ghastly massacres.

"In Sarajevo, the UN were the gatekeepers of the Serb siege," write Lee Bryant and Tihomir Loza in one essay. They blame the UN's military commanders, and the mission's civilian boss Mr Yasushi Akashi, for fraternising amiably with Serb leaders while snubbing the Bosnian government's cries for help.

But as several contributors acknowledge, the root of the problem lay not so much in the UN's failings as an institution, but in the conflicting agendas followed by the individual nations involved.

At one extreme, a Russian UN officer in Croatia made no secret of his sympathies, saying that "if Orthodox Serbia is destroyed, Russia will be next in line." At another, the US appears to have ensured the UN's disgrace in July 1995 by keeping to itself the information that a Serb attack on Srebrenica was imminent. Sir David Hannay, until recently UK ambassador to the UN, has argued that the world community's ability to handle crises in Africa and Asia could be fatally damaged if too much is read into the Bosnia debacle.

"Every time the UN becomes a scapegoat, or is treated as some amorphous and disembodied entity whose activities can be disavowed, the task of rallying political and material backing for the UN is made more difficult," he writes in the forthcoming issue of Prospect magazine.

Bruce Clark and Michael Littlejohns

United Nations peacekeeping operations

A court martial yesterday convicted a US Army medic of disobeying a lawful order because he refused to wear a United Nations beret and shoulder patch for a peacekeeping mission in Macedonia, AP reports from Würzburg, Germany.

Private Michael New, 22, of Conroe, Texas, said he could not wear the UN uniform because he had sworn allegiance to the US constitution, not the UN charter. He faces up to six months' incarceration, dishonourable discharge and loss of pay.

Mr New's case has attracted notice in the US from conservatives. Mr Bob Dole, US Senate majority leader, has joined 100 other Congressmen in introducing legislation to specifically make it illegal to order an American armed service member to wear UN insignia.

Egypt's Copts link with Moslems

By James Whittington in Cairo

A group of young fundamentalists from Egypt's banned Moslem Brotherhood has joined forces with like-minded members of the Coptic community to form a new centrist political party called Al-Wasat.

Attempts in the past to register Islamic or Christian parties have been scuppered by President Hosni Mubarak's insistence that religious parties are not allowed.

"The big problem in Egypt today is that there are large numbers of people who are not represented. The events and repression of 1995 which culminated in the (parliamentary) elections made it imperative to have such a party as ours," Mr Abul Ella Madi, the Islamist leader of the new party, said yesterday. The party has yet to receive final approval from the authorities.

"Our party believes in moderation and dialogue. We are young and ready to play a role in political life and we will show how this can work by committed Moslems and Christians working alongside each other," said one of the party's founding Copts, Mr Rafiq Habib, who is the son of the leader of Egypt's Coptic Evangelical Church.

The Moslem Brothers and the Copts were especially aggrieved by November's widely discredited elections which were overwhelmingly won by the ruling National Democratic Party.

The Copts were upset by Mr Mubarak's statement that he could not find anyone from the minority good enough to stand as a candidate for the NDP. The Moslem Brothers meanwhile suffered widespread government repression during the election campaign. In the run-up to the poll hundreds of arrests were made, its headquarters was closed down, and some of its best candidates were jailed on conspiracy charges by a military court.

The militant Islamic group *Gamma'a al-Islamiya* has targeted Copts in recent years.

Growth in world's manufacturing output slows

By Eric Frey in Vienna

Worldwide manufacturing output growth slowed to 3.2 per cent last year from 4.4 per cent because of weaker expansion in industrialised countries, according to a report by the United Nations Industrial Development Organisation (Unido).

But manufacturing growth in the developing world remained strong at 5.4 per cent, more than twice the rate of the developed market economies, the report said.

The pace was set by a rapid expansion in East and South-East Asia, while Africa, West Asia and Latin America continued to lag behind.

The "Industrial Development Global Report 1995", presented yesterday by Mr Mauricio Maria y Campos, Unido general secretary, also shows that industrial output continues to drive the economic expansion in most developing nations, but fell behind GDP growth in the Western Europe and North America.

"Industrial development still remains the quickest, surest and, for many developing countries, the sole means of achieving social transfers and escaping from poverty," said Mr Maria y Campos at a press conference in Vienna yesterday, where he presented the report.

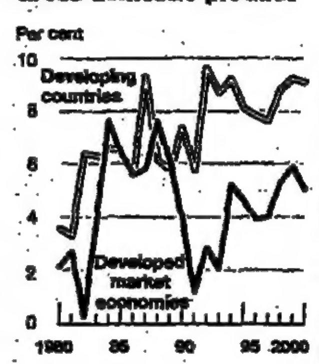
Trade liberalisation and structural reform remain the key to faster industrial growth, he said. Industrial output growth in the developed market economies slowed from 4.2 per cent in 1994 to 2.4 per cent in 1995. In the developing world, excluding China, growth edged up from 5.3 per cent to 5.4 per cent, the report said.

In East and South East Asia, growth jumped from 9.5 per cent from 8.1 per cent. In China, industrial output expanded 14 per cent last year, down from 15.8 per cent in 1994 and 20 per cent in 1993 , but it still exceeded the rates of all other leading countries.

Manufacturing output in Eastern Europe continued to contract by 8.5 per cent. Unido predicted a stabilisation in the next two years. Output in Poland, Hungary, the Czech Republic and Slovakia all posted healthy growth rates last year.

Unido has given its annual industrial development report a facelift and is trying to make the study as well known as similar documents published by the World Bank and the United Nations Development Programme (UNDP). The publicity campaign comes as Unido has just lost its biggest contributor, the US, and is forced to cut its budget and staff by 25 per cent this year.

Gross domestic product



Source: UN

NEWS: WORLD TRADE

China to face new US stick on disc pirates

By Guy de Jonquières in London and Tony Walker in Beijing

The US has revived its threat to impose punitive sanctions on Chinese exports, if Beijing does not take more effective action to stamp out rampant copyright violations.

The US says China has failed to live up to a bilateral accord designed to stop piracy of compact discs and computer software, and has been reluctant to uphold market access agreements for information and entertainment products.

The accord was signed almost a year ago, after Washington threatened China with trade sanctions of $1bn. Mr Mickey Kantor, the US trade representative, has recently said Beijing may face even stiffer penalties if it does not meet its commitments soon.

China agreed to the creation of task forces with wide-ranging powers to end intellectual property rights abuses, to launch a six-month blitz against pirate factories, and to strengthen customs procedures to prevent the export of pirated items.

However, the US says as many as 33 pirate software and CD plants are now operating, up from 29 before the agreement. "They've never really closed the factories down. They are spewing out the same amount of pirated items, if not more," said a US official in Beijing.

Mr Kantor is said not to have communicated the latest threat of sanctions formally to Beijing, nor to have set a deadline for meeting his demands. However, US officials say they plan to review the bilateral agreement in detail before its first anniversary on February 26.

Mr Lee Sands, a senior trade official, is due to renew pressure on Beijing when he goes there early next month. He is also expected to complain about China's failure to honour an agreement on maritime cargo handling, and its alleged violation of limits on its textiles exports to the US.

The renewed tensions coincide with signs that the Clinton administration is intensively re-examining its relations with China. These have been relatively calm since the autumn, when both sides sought to mend fences after angry disagreements over human rights.

However, concern is growing in Washington at the rapid increase in the US bilateral trade deficit with China, which is expected to approach $50bn this year. Some members of Congress are urging the administration to take a tough line on the issue with Beijing.

Continued growth of the deficit could make it harder for the administration to persuade Congress to renew China's Most Favoured Nation trade status, which expires in June.

Mr Kantor has also indicated that failure to resolve bilateral disagreements could adversely affect US attitudes to China's negotiations to join the World Trade Organisation. These resumed late last year, after China announced plans to reduce its trade barriers and the US offered Beijing a "road-map" to guide its WTO application.

● Mr Dan Glickman, US agriculture secretary will tackle Chinese authorities about a problem which has limited US wheat sales to China for more than 20 years, Reuter adds.

Mr Glickman, in China next week on a visit, will raise concerns over Beijing's ban on wheat shipments from the Pacific northwest. The US agriculture and wheat industry maintain that because of the ban, the US misses out on up to 1m tonnes of extra wheat sales to China each year. US producers say the ban, based on China's refusal to accept wheat carrying spores of a fungus called tilletia controversa kuhn or TCK, has no scientific basis.

TCK is said to discolour wheat but according to the US has no effect on taste or milling quality and is not harmful to health. The US says the issue is fundamental to China's entry into the WTO because it is an impediment to free trade.

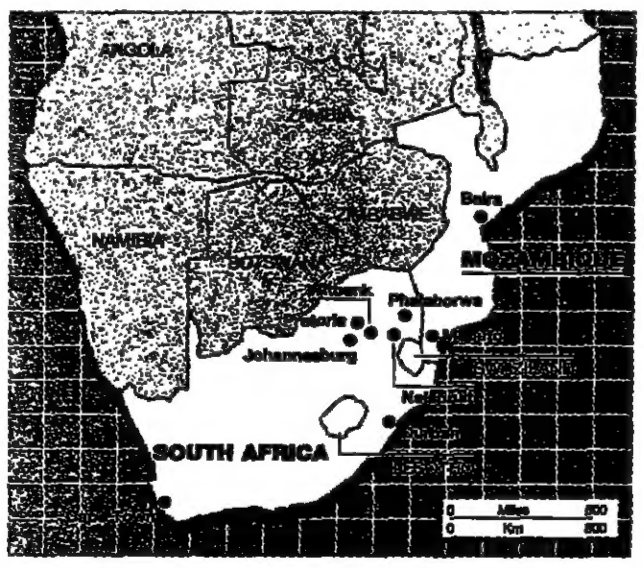
Congested South Africa looks to develop port of Maputo

By Roger Matthews in Johannesburg

South Africa and Mozambique are preparing to launch their biggest joint economic development project since relations were fully restored between the two following the election of President Nelson Mandela and the African National Congress in April 1994.

Ministers and officials from both countries are well advanced in planning a development corridor which will link South Africa's Gauteng and Mpumalanga provinces with Mozambique's capital, province and port of Maputo.

A delegation from Mozambique recently held detailed talks in Pretoria and the project is expected to be formally launched in May when a two-day conference will be held in Maputo with the aim of identifying more than 50 investment opportunities for local and international companies.



With the South African ports of Durban and Cape Town already suffering congestion caused by the surge in trade over the past 18 months, officials in Pretoria see Maputo as the natural outlet for exports stemming from the industrial heartland of Gauteng, which includes the greater Johannesburg area.

Maputo is particularly well placed to serve southern Africa's fast-growing trade with India whose appetite for fertilisers and phosphates has led to inquiries about establishing a processing plant close to the port.

Work is already under way in Maputo to improve port facilities where several wharves have recently been privatised. Considerable dredging operations will be required to allow vessels larger than the current limit of 30,000 tonnes to enter the port and new channels will probably have to be cut.

The South African end of the Maputo corridor will be at the town of Witbank, one of its fastest growing industrial regions, with a spur to Phalaborwa in the Northern Province which has plentiful phosphates deposits. Witbank's good infrastructure links with Gauteng province provide a natural extension of the corridor.

The immediate aim is to build a new joint venture toll road from Witbank, via the town of Nelspruit, to Maputo with a single stop at the border which will incorporate customs, passport control and the payment of road tolls. Witbank will in turn be linked to "feeder corridors", such as the spur to Phalaborwa.

It is expected that the new company to build the toll road will eventually be floated on the Johannesburg stock exchange, and that work could get under way soon. Once completed it would substantially cut journey times between the two capitals.

Spoornet, the South African rail operator, has also been holding talks with CRM of Mozambique on upgrading the track between the border and Maputo port, and the construction of additional sidings.

The installation of a new digital microwave telecommunications system between Mozambique and South Africa is also under way.

Apart from stimulating industrial and agricultural development along the corridor, officials also see great benefits for tourism. Before 1975, when Maputo was known as Lourenco Marques, that area of Mozambique was one of South Africans' favourite holiday destinations, drawing up to 300,000 visitors a year.

With well over 100 kilometres of currently inaccessible beaches stretching north from Maputo, the development potential is considerable, and officials from both countries have also been discussing linking game parks either side of the frontier to provide what has been described as "surf and turf" holidays.

Dr Paul Jourdan, the special adviser to Mr Trevor Manuel, South Africa's minister of trade and industry, said the great attraction of the Maputo corridor was that it was not forced. "It is an entirely natural and logical development and will help both countries economically. It will stimulate development and jobs."

Funding issues are still being discussed, but Dr Jourdan emphasised that the meeting in Maputo would not be a donor conference. "It will be all about making money," he said. However donor assistance may be sought for some of the more marginal projects along the corridor.

South Africa is also anxious to stimulate economic growth in Mozambique as the most effective long-term answer to the large number of migrants who continue to cross the border illegally in search of work.

Child labour row hits rug exports

By Farhan Bokhari in Islamabad

Pakistani carpet exports suffered a sharp fall in the six months to December amid growing controversy over the use of child labour.

Revenues were $48.5m, down from $97.1m a year earlier. One leading businessmen said last night: "The carpet business is faced with growing losses and future prospects look bleak."

The killing last year of Mr Iqbal Masih, a children's rights activist, prompted international condemnation of labour practices in Pakistan where millions of children are forced to work from an early age. Human rights groups said Mr Masih may have been a victim of carpet factory owners.

Mr Masih had campaigned against the abuses of children in the carpet industry. The uproar over his death was followed by demands from western importers that Pakistani carpets be certified to ensure child labour is not used. In addition, many western buyers cancelled carpet orders in protest. The country's Export Promotion Bureau has been taking steps to set up a certification system for carpet exporters with international help.

Growing competition from China, India and Iran and rising production costs have not helped. The Pakistani government has tried to assure western governments that it would act to reduce child labour in carpet factories. However, independent experts say that in a country with many such labourers, it may be a long time before the government's intentions bear fruit.

WORLD TRADE NEWS DIGEST

Ford plans Thai parts factory

Ford yesterday announced $53m worth of investments in Thailand, primarily to supply parts to the pick-up truck assembly plant the US company plans to build with its joint-venture partner Mazda of Japan. Investments will include a $30m facility to produce plastic, electronic and electrical components and a $23m plant to produce radiators and air conditioners. The latter is an investment of Halla Climate Control, a Korean-based joint-venture between Ford and Mando Machinery.

The two plants will supply the new Ford-Mazda facility, projected to produce 135,000 pick-ups a year from 1998, and to a small Hyundai assembly plant in Thailand. Halla and Hyundai are affiliated through family ties. Ford executives said they expected to compete with other parts manufacturers in Thailand.

Ted Bardacke, Bangkok

Global information standards

The urgent need for worldwide technical standards to make the global information superhighway a reality was underlined yesterday at an international seminar sponsored by the three main world standards bodies. The three-day seminar aims to give new impetus to the development of standards for the global information infrastructure (GII). Mr Henry Ryan, chairman of the organising committee and a consultant with Digital Equipment in Ireland, said that without global standards the potential benefits of the GII would not be fully realised. He said work was already under way by industry on international standards for coding audio and video signals for multimedia applications. The challenge was to ensure that these applications could be run anywhere, even with borrowed equipment on dodgy telephone lines.

The Geneva meeting is sponsored by the International Organisation for Standardisation, the International Electrotechnical Commission and the International Telecommunication Union, which last year set up a joint committee on GII standards.

Frances Williams, Geneva

Largest container ship launched

The A P Moller-Maersk Line yesterday launched the world's largest container carrying vessel, the Regina Maersk. The 6,000 TEU (standard 20-ft units) vessel will serve on Europe-Asia routes and is the first of a series of 12 sister ships being built by A P Moller's Odense Steel Shipyard. The final ship in the series is due for delivery in 1998.

The vessel can carry 700 refrigerated cargo containers, giving it 20 per cent more capacity than the largest such dedicated vessel in operation. The Maersk fleet, with a container capacity of 186,000 TEU, last year announced an operational alliance with Sea-Land, the American company, which has a carrying capacity of about 168,000 TEU. The alliance, covering most of the global services offered by the two groups, goes into operation this year.

Maersk results, see ICN *Hilary Barnes Aarhus, Jutland*

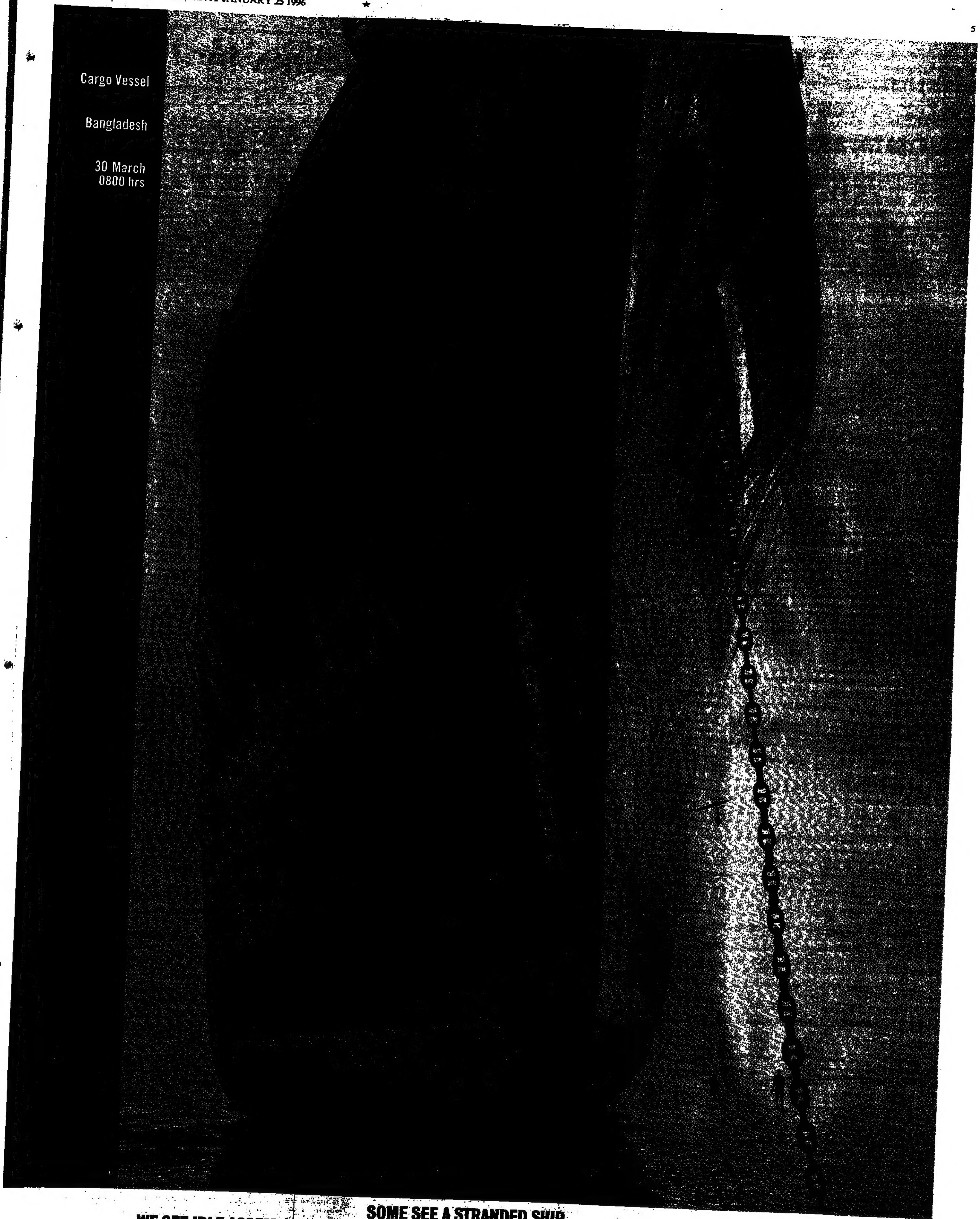
■ Microsoft is preparing to step up its presence in Vietnam by introducing a Vietnamese version of Windows 95 in the coming months.

Jeremy Grant, Hanoi

■ Matsushita is to set up a television factory at Pilsen in the Czech Republic to meet growing demand in eastern Europe. It will make 300,000 sets a year from April 1997. *Reuter, Tokyo*

■ Bofors, the ammunitions unit of Celsius Industries, has won an order to supply the Brazilian navy with BILL anti-tank missiles worth SKr65m.

AFX News Stockholm



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NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Offer saves Vietnam assets

Vietcombank, Vietnam's largest state-owned bank, narrowly escaped having some of its overseas assets wound up at the High Court in London yesterday when Abbotsford Investments, a British Virgin Islands-registered company suing it for repayment of $1.5m owed, accepted an offer from a third party to settle on the bank's behalf. The move will be a relief to Hanoi and to bankers involved in fragile negotiations over rescheduling roughly $800m Vietnam owes to commercial creditors, known as the London Club.

Under a deal this month, Vietcombank will buy out its own debt through an agent – Deutsche Morgan Grenfell – bankers and lawyers say. The settlement is understood to be generous and bankers have fresh worries that the deal may encourage other non-London Club creditors to seek their own settlements from Vietcombank through the courts, complicating the London Club talks once again. *Jeremy Grant, Hanoi*

Bank deposits fall sharply

Vietnamese bank deposits have dropped sharply after the central bank cut interest rates unexpectedly in December, foreign bankers said yesterday. This is likely to be seen by the World Bank as a setback for Hanoi as it tries to mobilise domestic savings as a way of maintaining rapid economic growth. The Youth newspaper in Ho Chi Minh City reported this week that local currency deposits had fallen to 19,000bn dong ($1.73bn) from 21,500bn dong, with locals withdrawing 2,000bn dong in the last three weeks. The rate cut was apparently ordered to reduce borrowing costs at Vietnamese companies, but a central bank stipulation that bank margins be set at a maximum of 0.35 per cent has forced deposit rates down. Bankers said many depositors were likely to have put their money back into gold. *Jeremy Grant, Hanoi*

HK may legislate on media

The Hong Kong government yesterday indicated that it would introduce legislation on foreign and cross-media ownership in spite of its decision to postpone comprehensive legislation governing the colony's broadcasting industry. Governor Chris Patten, in a letter to the Hong Kong Journalists' Association, said that the government planned to respond to a Consumer Council report on the issue within six months. The Consumer Council recommended that the government should scrap the prohibition on foreign investors owning a majority stake in a satellite broadcasters. Currently Hong Kong investors are required to own the majority in company controlling a satellite up-link. *Simon Holberton, Hong Kong*

Taiwan reconsiders art tour

Taiwan has banned 23 priceless, 1,000-year-old paintings leaving the country on a rare tour of Chinese artworks in the US, set to begin in March. After protests this month, a commission was set up to review the 475 works to be included in the tour. Protesters feared the fragile works, housed in Taipei's National Palace Museum, could be damaged. The tour is due to begin on March 12 and run for 13 months, appearing in New York, Washington, Chicago and San Francisco. The last time the National Palace Museum permitted artworks to leave the country was in 1961, when the same collection was displayed in the US. The National Palace Museum houses the world's biggest collection of Chinese art. The works were secretly brought to Taiwan by the Nationalist Chinese government before the communist takeover of mainland China in 1949. *Laura Tyson, Taipei*

Japan's trade surplus declines by 11.4%

By William Dawkins in Tokyo

A surge in imports and increase in offshore production caused Japan's trade surplus to fall by 11.4 per cent to $107.1bn (£71bn) in 1995, the first drop in five years.

The decline, recorded in a preliminary report by the finance ministry yesterday, could reinforce the recent easing in trade tensions with the US and, to Japanese exporters' relief, the fall in the value of the yen. Finance ministry officials expect the trade gap to shrink further this year, helped by a reduction in barriers to imports.

In local currency, the surplus declined by 19.3 per cent, the third year of decline, to Y10,005bn (£63bn), said the finance ministry. That was in line with market expectations, but the dollar nevertheless strengthened in Tokyo, to end the day above Y106.

The report came as President Bill Clinton presented last year's trade accords with Japan as an economic and foreign policy success, in his annual state of the union speech.

Japan's surplus with the US declined faster than the total, by 17 per cent to $45.56bn, also the first drop in five years. The gap with the US was, for the third year in a row, eclipsed by Japan's trade surplus with the rest of Asia, its fastest growing market.

The trade gap with Asia expanded nearly 15 per cent to $70.75bn, reinforcing Tokyo officials' fears that trade tensions with their neighbours could arise just as a relative lull emerges in trade relations with the US.

Imports to Japan rose by 22.3 per cent to $335.9bn last year, far outstripping the growth in exports, up by 12 per cent to $443bn. Weaker US demand curbed foreign sales, as did the continued shift of Japanese production to cheaper locations in Asia, suggesting that part of the decline in the surplus will be permanent.

Imports were helped by the yen's strength in the first eight months of the year and by a change in the structure of Japan's foreign purchases, from materials towards finished goods. Last year, finished goods – many from Japanese factories abroad – accounted for a record 59 per cent of imports, up by four percentage points from 1994.

Within this, imports of computers and other office equipment led the way, up by nearly three quarters, while Japan's purchases of semiconductors rose by two thirds.

Car imports, the subject of a market access accord with the US in June, were up by 41 per cent.

In the short term, the rise in imports are expected to constrain Japan's economic growth. But in the long run, this will help growth by encouraging hitherto sheltered companies to become more efficient, argue economists in Tokyo.

The finance ministry also yesterday released trade data for December, when the surplus fell by 16 per cent to $10.9bn, just under the average market estimate.

Separately, sales by department stores fell by 2.1 per cent last year, the fourth year of decline, according to industry figures released yesterday.

Employers seek deal that worried Germans

Scepticism over agreeing on jobs and pay perplexes Japanese boardrooms, **William Dawkins** reports

German employers' resistance to union demands for more jobs in return for wage restraint, the subject of a hard-fought compromise yesterday, has evoked puzzlement in boardrooms in Tokyo.

Japanese industrial employers, for all their other similarities with Germany's, have asked their workers to accept a deal very similar to the one that many German managers have been very sceptical of.

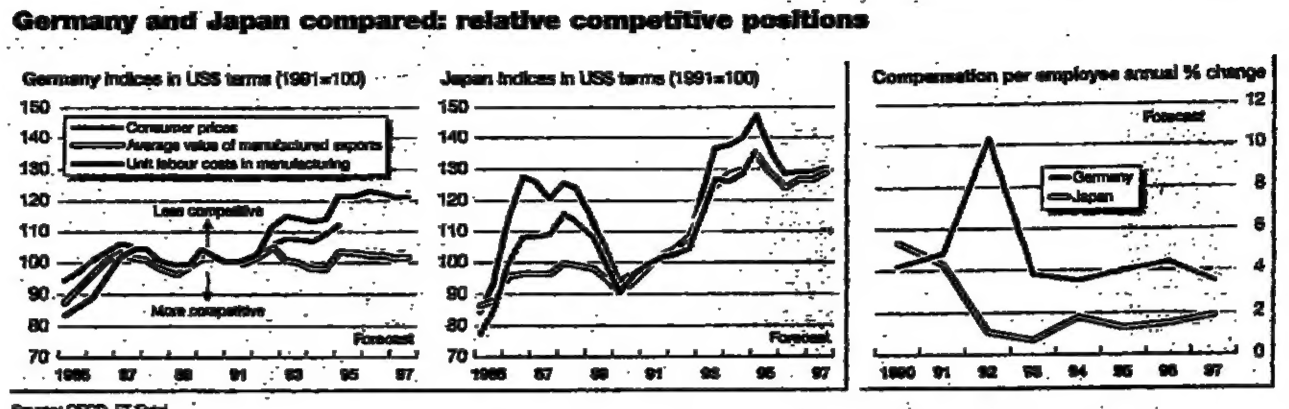
Mr Jiro Nemoto, president of the Nikkeiren employers' federation, last week called for a general wage freeze, albeit unpopular with some of his corporate members, in his opening shot for the start of Japan's annual *shunto* wage bargaining round. The proposed counterpart would be an increase in recruitment by the most profitable companies.

The difference between German and Japanese labour negotiations goes further. Japanese labour unions, far from negotiating on the Nikkeiren offer of a trade-off between jobs and pay, spurned it. Instead, Japan's Rengo union confederation is calling for a straight 4.4 per cent rise in 1996, which it argues is the reward for the first significant corporate profits recovery in five years.

Rengo's demand comes despite the fact that by some measures, Japan's rising unemployment is at least three quarters as high as Germany's.

Officially, Japan's unemployment rate is a record 3.4 per cent, against Germany's 9.9 per cent. But that is on a uniquely lax criterion, under which a Japanese who works for an hour a week counts as employed. A better guide to the Japanese labour market is the number of jobs available per 100 applicants, which has more than halved from 140 to 63 over the past five years.

Germany and Japan compared: relative competitive positions



Source: OECD, FT Extel

> A Japanese who works an hour a week counts as employed

The difference between labour negotiations in Germany and Japan, may be explained by the shame that befalls any leading Japanese employer which makes redundancies. Japanese workers' wage claims are reinforced by their belief, which could yet be shaken, that employers will continue their present gentle job attrition, rather than seek US-style mass cuts to which some German employers have recently resorted.

But under that difference, Japanese and German employers share a vital concern in their wage and job talks. They are both striving to keep international competitiveness, threatened by their strong currencies and rising labour costs.

Revealingly, Mr Masami Iwasaki, head of the Japan Automobile Manufacturers Association, reminded Rengo that wages should be a function of productivity. That concern would have been seen as of secondary importance as little as five years ago, when Japanese manufacturers were still increasing their shares of most leading export markets.

Japan's spring wage round is only a rough guide to labour costs and competitiveness. Wages represented at the latest count in 1994 just over two-thirds of total pay, semi-annual bonuses about a quarter and the remaining 5 per cent coming from overtime.

Thus, Japanese employers have more scope than German ones, with smaller bonuses, to adjust total compensation. They have made full use of this flexibility. Japanese workers' total take-home pay has risen more slowly than wages in each of the past five years, up by an estimated 1.7 per cent in 1995, in local currency, after an already record low *shunto* settlement of 2.8 per cent.

In dollar terms, Japan's labour costs have risen faster than its main competitors' since the turn of the decade, a consequence of the yen's 30 per cent rise against the US currency over that period.

Its unit labour costs have risen 41 per cent in dollars since 1991, nearly twice as fast as Germany's, while US labour costs have fallen 10 per cent, the Organisation for Economic Co-operation and Development estimates.

Overall, Japan's competitiveness against the OECD average has declined 30-40 per cent in this period, Mr Russell Jones, senior economist at Lehman Brothers, said. So it is easy to see why Japanese unions' demand for the rewards of recovery may be met this year by firmer than usual resistance from employers.

> Union demands may now be met by firmer than usual resistance

Nobody, and that includes leading employers such as Toyota and Honda, believes there really will be a wage freeze in 1996, or even that a freeze would be desirable when companies are looking for an economic recovery led by domestic demand, to compensate for weak export markets. The Nikkeiren's demand for a freeze is part ritual, as it was in each of the past three years.

The final settlement, due in late March, should end up close to last year's, most analysts say. That, helped by the yen's decline since last August, should help narrow the productivity gap, assuming, as do most economists, that the yen will stabilise at this level or even fall further.

If so, this *shunto* could mark a turning point, at which Japan starts to regain some of that lost competitiveness. The OECD, for one, believes it will. It has forecast a 9 per cent fall in Japanese unit labour costs, in dollar terms, this year, when it expects German costs to rise slightly.

Many forecasters expect unemployment to rise as Japanese companies continue to sharpen competitiveness by freezing recruitment, encouraging early retirement and shifting production abroad.

It may not be many years before Japanese unions may feel worried enough to follow the example of their German counterparts and seek something akin to a jobs-for-pay restraint accord. By then, Japanese employers may be confident enough to refuse.

Homeless fight eviction from Tokyo shacks

Tokyo's homeless clashed with police yesterday (*pictured left*) as the municipal government evicted them from cardboard shacks which line an underground passageway a few yards from its main offices, Emiko Terazono writes from Tokyo. City authorities, have announced plans to build a 200-metre moving walkway along the route. Critics question the viability of the Y1.3bn (£8.1m) project at times of tight finances for the municipality. *Picture by AP*

Australian inflation exceeds target band

Australia's underlying annual inflation rate edged further outside the desired 2-3 per cent band during the December quarter, with the "headline" rate remaining at 5.1 per cent, Nikki Tait writes from Sydney. The underlying consumer price index, designed to strip out one-off factors, rose 0.7 per cent in the final quarter of 1995. On a year-to-year basis, it shows a rise of 3.2 per cent, up from 3.1 per cent in the previous quarter.

The data was very close to market expectations; some analysts noted the rise in the underlying CPI during the December quarter was lower than recorded in the two previous quarters. Accordingly, while the March 1996 quarter is expected to show a further rise in the annual rate, many forecasters are hopeful this will be the peak.

"Today's data provides reassurance for the view that the uptick in inflation in 1995 is not a sign Australia is on its way back to the bad old days as an inflation delinquent," Bankers Trust Australia said.

This month, the Reserve Bank of Australia, the central monetary authority, indicated that it views the deviation from its desired 2-3 per cent band to be temporary, and deemed the existing interest rate environment "appropriate".

This line was repeated yesterday by Mr Ralph Willis, federal treasurer. "Today's CPI figures provide clear evidence the headline rate has peaked and will fall substantially next quarter, while the prospect of the underlying rate moving back below 3 per cent next financial year has been considerably improved," he said.

'Threat' prompts Taiwan jitters

By Laura Tyson in Taipei

A Taiwanese official yesterday appealed for calm after a report, later denied, that Beijing had a scheme to attack Taiwan, sent jitters through financial markets. "We have sufficient forces to protect ourselves and people should not scare themselves," said Mr Chan Chih-hung, a director at the cabinet's Mainland Affairs Council.

The New York Times claimed yesterday China had drawn up plans to use military force against Taiwan following the island's presidential elections on March 23, the first in its history.

Foreign exchange markets in Taipei and Tokyo saw hectic trade in the afternoon, and the Taiwan dollar dipped against the US dollar.

Mr Chan asserted Taiwan was not seeking independence, as feared by Beijing, and the elections were not aimed at splitting Taiwan and China apart. China's foreign ministry later called the report "totally groundless".

Mr Chas Freeman, US defence secretary, was quoted as saying the behaviour of Taiwanese President Lee Teng-hui "in the weeks following his re-election will determine" whether Beijing's Communist party leaders feel they must act "by direct military means" to change his behaviour. The incumbent president is expected to win the polls.

"Whether or not this report is true, China has frequently threatened Taiwan with military force," said Ms Yang Maysing, director of foreign affairs for the opposition Democratic Progressive party. "It is important for foreign countries to send a strong signal to China that this sort of behaviour is unacceptable."

A senior US official was quoted by the New York Times as saying the Clinton administration had "no independent confirmation or even credible evidence" that Beijing was considering an attack.

Beijing regards Taiwan as a rebel province.

Union calls off dispute at GM factories

By Andrew Bolger,
Employment Correspondent

A pay dispute at the Vauxhall offshoot of General Motors ended yesterday after workers were split on the final offer from the company. Members of the Transport and General Workers' Union at factories in Luton to the north of London and Ellesmere Port in north-west England rejected the proposed three-year deal by 1,850 to 1,820 votes. The union said the majority was too slim for it to launch a campaign of industrial action.

About 770 members of the union did not return their voting papers. The vote followed an earlier ballot at Vauxhall of members of the AEEU engineering and electrical union, which showed a 4-1 majority in favour of accepting the company's offer.

Mr Tony Woodley, national officer of the transport union, said anger remained among Vauxhall workers at conditions attached to the offer which interfered with arrangements for holidays and hospital visits. "I would warn Vauxhall that it has no grounds for self-congratulation or complacency," he said. "Thanks to its unreasonable behaviour in placing unacceptable strings on the offer, the company now has a deeply dissatisfied workforce."

Vauxhall was pleased with the outcome of the balloting. It said: "We can now look forward to operating on a normal basis and building for the future." The group's 7,700 manual workers will receive a rise of 4.5 per cent now followed by an increase in line with inflation over the next two years and a cut of one hour in the 39-hour working week.

The Vauxhall settlement will boost the unions' campaign for a shorter working week, which was relaunched by the Confederation of Shipbuilding and Engineering Unions last year. The confederation's fighting fund still contains £9m ($13.6m) and will be used as a war chest for the second phase.

The push during the late 1980s and early 1990s for a shorter working week was one of the most successful of recent union campaigns. By 1992 more than 1m employees in 1,800 companies had achieved a cut from 39 hours to 37.

However, there has been no concession on working hours at Ford factories in Britain, where next week 22,000 manual workers will be balloted on strike action over the company's "final" offer of 9.2 per cent over two years.

The Vauxhall deal increases the likelihood that Ford workers will accept their offer in spite of a recent walk-out at the Ford plant in Dagenham, east London.

General Motors has hired a British firm of management consultants to work on improving the quality of almost 10 per cent of its 1,500 component suppliers across Europe, *Peter Marsh writes.* GM spends about £3.5bn ($5.3bn) a year on buying components from European suppliers.

Peter Chadwick, a 200-person consultancy based in the UK and with offices throughout Europe, is being paid to evaluate about 140 suppliers considered by GM to be below standard. Names have not been disclosed of suppliers on GM's list of companies whose performance in terms of component quality and delivery times is considered unacceptably low. Mr Dick Patrick, purchasing director at Vauxhall, GM's British subsidiary, said companies on the list were spread across Europe and represented a range of component sectors.

GM is following a growing trend among carmakers by insisting that all of its 1,500 suppliers in Europe meet a new technical standard called QS-9,000 and devised jointly in the US by GM, Ford and Chrysler. GM expects the standard to be met in two years. But GM's move is considered unusual because most carmakers prefer to use their own staff in the sensitive area of supplier reliability.

The standard is considered as setting a new set of benchmarks over quality for supplier companies. The first GM supplier to win accreditation is Dunlop-Topy Wheels, a subsidiary of BTR.

Brokers heavily fined by regulator

By John Gapper,
Banking Editor

Panmure Gordon, the brokerage firm owned by NationsBank of the US, has been fined £50,000 ($75,200) and severely reprimanded for its failure to prevent a 27-year-old employee stealing more than £3m from one of its customers.

The fine, among the largest imposed by the Securities and Futures Authority, the City of London regulator, was disclosed after Mr Jeremy Gray, a former assistant fund manager at Panmure, was jailed for six years for theft and false accounting.

Mr Gray was said in court last October to have stolen more than £3m from the British Heart Foundation, as well as £55,000 of bonds belonging to his father, after falling in with a criminal ring of homosexuals based in Amsterdam.

Mr Gray claimed during his trial in London that he was forced to steal the money by a gang member who said he was in an underworld family with Mafia links.

This scared him into selling £3m of shares held in a branch of Barclays Bank in New York and laundering the proceeds into accounts in Denmark, the Netherlands and Austria. However, his story was dismissed by the prosecution as fanciful.

Mr Gray was expelled by the SFA from working in the City, and ordered to pay costs of £4,000. Panmure Gordon, which reported the crime to the SFA when it was discovered, was ordered to pay £10,000 towards SFA costs.

Panmure Gordon accepted disciplinary charges that it failed to protect customers' assets, to organise and control internal affairs in a responsible manner, and to ensure that its staff were adequately trained and properly supervised.

Mr Gray was an assistant to a fund manager in the private client broking arm of Panmure. He fooled the fund manager into authorising transfers in January and February 1994, including £55,000 of gilt-edged stock in his father's account.

Lord McGowan, chairman of Panmure Gordon, said the firm had tightened internal controls, separating for the first time the functions of share settlement and custody.

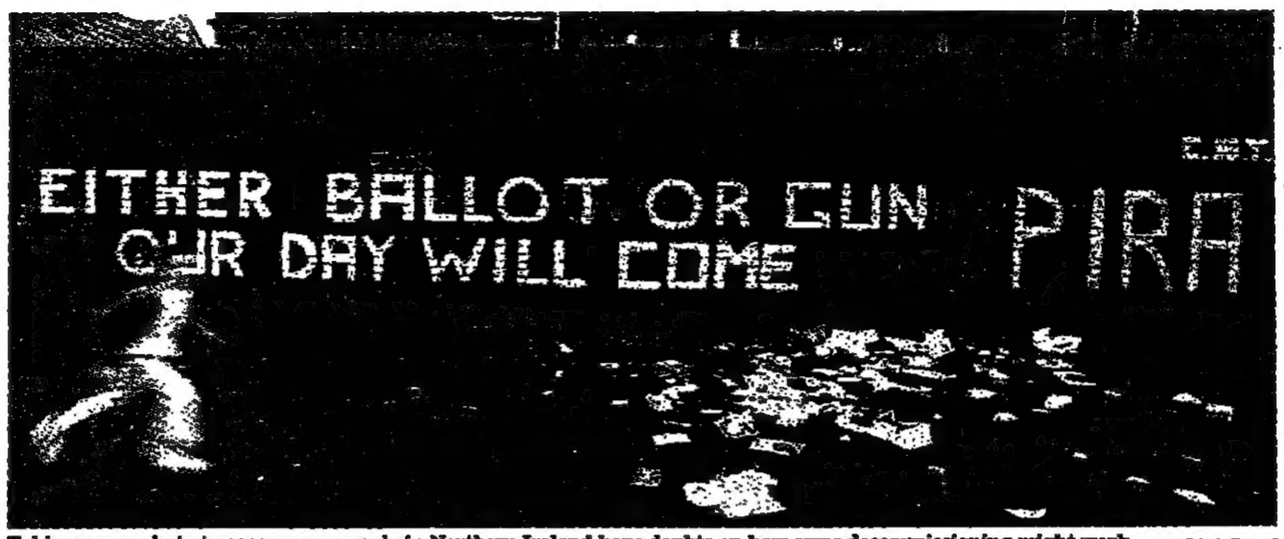
He said the customers were compensated immediately, and the firm had recovered "a substantial part" of the £3m. He said employees were now being supervised more closely.

The SFA said it had taken into account that Panmure Gordon alerted regulators immediately and co-operated fully.

Northern Ireland Report from Mitchell's weapons commission reinforces party divisions

Politicians hope to win a new assembly

By John Kampfner,
Chief Political Correspondent



Taking a new shot at peace: many people in Northern Ireland have doubts on how arms decommissioning might work Crispin Rodwell

Despite its suggestion that the British drop their position on disarming the IRA, the Mitchell commission's report on Northern Ireland received a surprising, if guarded, welcome at Westminster.

Conservatives and unionists did not hide their disappointment at the international body's conclusion that there is no point in insisting on "decommissioning" ahead of all-party talks. But much of that concern was allayed a few hours later by the announcement from Mr John Major, the prime minister, that he was looking for urgent legislation establishing elections to a new convention for the province.

"This report does not offer to any single party connected to these negotiations everything that they might have wished," said Mr Major. "There is something in this report which is uncomfortable for every party to this negotiation."

Mr Dick Spring, deputy prime minister of the Republic of Ireland, said the six principles setting democratic intent – one of the main points of the report – provided "a stringent and challenging test" for all parties. He said it was the "firm aim" of both governments that talks should start by the end of February.

Mr. Gerry Adams, president of Sinn Féin, the political wing of the IRA, praised Mr Mitchell for not backing the British arms conditions. But he did not give an explicit endorsement of the six principles.

Mr Major told the Commons he stood by the condition laid down in March 1995 that the IRA should begin the process of physical disarmament ahead of full negotiations on a constitutional settlement.

But, for the first time, he shifted that stand, by using a fallback position outlined by Sir Patrick Mayhew, chief Northern Ireland minister in the British government, several months ago. Sir Patrick said that while policy was guided by the same principle on arms, practice might change if other confidence-building measures could be identified.

Since then both the Ulster Unionists, the province's largest pro-British party, and the more hardline Democratic Unionists, have submitted proposals for an assembly or convention. Such a forum would have a limited lifespan and would be charged with negotiating a new constitutional arrangement.

Mr Major said Sinn Féin and the other parties now had "two routes to all-party negotiations and to decommissioning. The choice between them is ultimately for the parties themselves". He received the full support of Mr Tony Blair, the Labour party leader, who underlined his bipartisan approach to the conflict.

Mr John Hume, leader of the nationalist Social and Democratic Labour Party, said Mr Mitchell had shown the way forward. Mr Hume infuriated Tories by calling on the prime minister to set an immediate date for all-party talks, "rather than the 17 months you have wasted up until now".

Mr David Trimble, the Ulster Unionist leader, said legislation on a convention could be carried through quickly. A target of elections in April or May was realistic.

He had been talking with other parties, including the SDLP, about the idea of an elected body and believed problems could be overcome.

The SDLP's opposition to any convention rests both on principle and politics. It argues, like the Irish government, that it could turn into a repeat of the Stormont parliament of the 1970s that collapsed in disarray. The SDLP also fears that it could be usurped in elections by Sinn Féin, with its heavy financial backing from the United States, as the main representative of the minority nationalist community.

UK ministers have been considering several models for an assembly to give nationalists a voice even with a unionist majority.

Mr Major said he would urgently discuss the problems with nationalist groups. But he told Mr Hume: "In a democratic system like ours, I cannot see how elections could be regarded by any of the parties as a side issue or as a block to progress."

A group of "veteran republicans" was last night being questioned about the murders of people who vanished in Northern Ireland over 25 years ago, *PA News reports from Belfast.* The search for the region's "disappeared" took a new twist when a special police squad staged a series of raids in republican west Belfast and arrested five men. The men, middle-aged and described as "veteran republicans" by security sources, were being questioned in the city.

A police spokesman said the arrests were part of "investigations into claims that terrorist murder victims may have been secretly buried. The arrests were carried out under the Prevention of Terrorism Act," he added. "The majority of cases under investigation date back to reports of missing persons from the 1970s."

During the 1970s, between 12 and 20 disappeared disappeared after they were snatched by republican gangs and are believed by their relatives to have been murdered and buried in unmarked graves in the countryside around Belfast.

Caution from both sides of the street

By John Murray Brown
in Belfast

There was a general welcome in Belfast yesterday to the call for all parties in the peace process to leave behind the "vast inventory of historical recrimination".

Yet there was a reluctance to invest too much in the findings of the international body on paramilitary weapons.

Church leaders, community workers and business people were quick to applaud the effort to find a compromise.

Yesterday Mr George Mitchell, the former senate majority leader, flanked by his Finnish and Canadian colleagues, painstakingly presented his case that an arms surrender should not be a precondition for all-party talks to start.

In both Roman Catholic and Protestant working class areas Mr Mitchell's analysis appeared to find broad approval – although it is at odds with that of the British government and the mainstream unionist parties. Ms Mairaid Corrigan, one of the original founders of the 1970s Peace People movement against the violence, said she thought people were being realistic. "There's a deep fear out there between the communities. Look, we have this huge wall we call the peace line, which keeps people apart. People are not ready to disarm. There has to be some trust built up first."

Unionists are more cautious, as shown by the comments of Billy, a community worker on the Protestant Shankill Road who declined to give his real name. "Why do the republicans need incentives to get them to decommission? I'd still like to see arms given up first," he said.

Mr John McQuillan, a community worker in the predominantly Protestant east Belfast, said decommissioning was a laudable objective. "But it must take place in conjunction with political progress; if we're going to marginalise the paramilitaries it would be catastrophic."

On the Roman Catholic Falls Road, one resident gave a hint of the likely cautious approach of republicans. "Everyone wants to get into talks. If they're going well, then there can be some decommissioning. I don't think unionists will be too pleased but that's the way it is," the resident said.

Church leaders believed politicians should not give a hasty reaction to the findings. The Presbyterian Church said: "No one group will ever get everything they want, but that is the nature of compromise."

Mr Sam Hutchinson, the clerk to the General Assembly of the Presbyterian Church, said the report was "one small step towards peace: I think it's a fair compromise – the best that could be done". He added: "Compromise is a dirty word in Northern Ireland. It implies betrayal. We have a different way with words here. For us we have the same attitude to a word like ecumenical: its a breaking of your tradition."

After so many attempts to resolve the problems, there is a reluctance to invest too much in any proposal purporting to offer a solution to the community's divisions. One community official said the report was like another shot of antibiotic. "You take it too often and it starts to lose its effect."

Mr Mitchell said he was not going to pass judgement on who were the winners and losers politically. Other observers were less reticent. "It's dragged on much too long," says Ms Mary Lyon, chief executive of the Springvale Training Centre in nationalist west Belfast. "The British have to play their part. They haven't come out of this well. If Senator Mitchell has found a compromise why couldn't we have done it before? The peace process is the key to jobs, and its the key to giving employers confidence to invest."

UK NEWS DIGEST

Dassault drops bid to supply planes for RAF

Dassault, the French aerospace manufacturer, has withdrawn its Atlantique reconnaissance aircraft from the £2bn ($3.02bn) competition to supply the UK with a fleet of 20 to 25 maritime patrol planes to replace the Nimrods used by the RAF since 1969. The competition is being held by the Ministry of Defence to find an aircraft for anti-submarine patrols. Dassault has removed the Atlantique from the bidding because its twin turbo-prop engine design has been strongly opposed by the RAF.

The RAF has argued that a four-engined aircraft is needed for safety and reliability reasons because patrol aircraft are required to remain over the sea a long way from their base for many hours. The Nimrod has four engines. The final choice is likely to be between two aircraft. British Aerospace has proposed a complete refurbishment of the Nimrods by replacing their wings, engines and electronics. GEC and Lockheed Martin are bidding with a version of the Lockheed Orion P3 patrol turbo-prop, used by the US, which would have avionics made by GEC of the UK. A third option of a refurbished P3, suggested by Loral, may well be dropped if the merger of Loral and Lockheed Martin goes ahead. Final decisions are expected at the ministry by July.

Bernard Gray, Defence Correspondent

Trade deficit widens

Britain recorded its biggest ever underlying trade deficit with countries outside the European Union last year as imports expanded 25 per cent faster than exports between 1994 and 1995. Excluding trade in oil and erratic items such as ships, aircraft and precious stones, the non-EU trade deficit totalled £6.5bn ($9.8bn) last year, said the government's Central Statistical Office.

This was almost half as large again as 1994's deficit of £4.2bn and the biggest since records began. The overall trade gap including oil and erratic items was £7.5bn in 1995. This was well up on 1994's figure but £400m lower than the deficit in 1993. "Slower activity in the US has clearly had a depressing effect on exports and the worry must be that that continued weakness in Germany will push the overall deficit up sharply over the next few months", said Mr David Hillier, economist at NatWest Markets. *Robert Chote, Economics Editor*

Society cuts mortgage rate

Bradford & Bingley Building Society put up its defences yesterday against pressure to convert into a bank by cutting its mortgage rate by 0.25 percentage points and announcing plans to give back profits of least £50m ($75.2m) a year to savers and borrowers. Building societies are mutually owned savings and loan institutions. The move could herald a mortgage price war between building societies and banks. Building societies have come under increasing pressure to demutualise and turn themselves into banks from customers who have seen the size of the bonuses paid out when societies such as Cheltenham & Gloucester gave up their mutual status. Savers at C&G were paid bonuses of up to £14,044 when the society was bought by the Lloyds bank for £1.8bn.

Roger Taylor, Personal Finance Staff Lex, Page 18

ID cards move abandoned

The government has in effect shelved plans to introduce compulsory identity cards, but is attempting to agree on a voluntary card scheme. Although the Home Office insisted that "all options are still open", senior officials said compulsory ID cards "could hardly be considered a front runner". The abandonment of compulsory cards follows a lukewarm response to the government's consultation paper. Baroness Blatch, a Home Office minister, told a House of Commons committee that fewer than half the respondents favoured a compulsory scheme. But some sort of ID card was favoured by more than 55 per cent. At the moment British citizens are not required to carry identity cards. Passports are required only to visit other countries. *James Harding, Westminster*

Queen's coin is loss-leader

The proposition seems too good to be true. Two companies are offering to sell £5 coins, to be struck by the Royal Mint to celebrate the Queen's 70th birthday in April, and legal tender in the UK, for their face value of £5. The coins will be legal tender in the UK. Having incurred the cost of buying quarter-page advertisements in many newspapers to reach potential customers, they are also paying all postage. The coin as depicted in the advertisements is shown on the left. The companies, moreover, will not receive a discount when they buy the coins. "They will have to pay £5 for them", said the Royal Mint. The two companies are MDM the Crown Collections, a German-owned operation, and The Westminster Collection. They are using the Queen's birthday coin as a loss-leader to build up a mailing list to which they can offer higher value numismatic products. "We are sure that our investment in this PR campaign (you are right, it does cost us money) will pay off in the long run . . . ," said Mr Niels Hagermann, MDM's marketing director.

Clay Harris, London

Cody archive sold: The aviation archive of "Colonel" Samuel F. Cody was auctioned for £291,000 ($440,000) at Sotheby's in London. In 1908 Texas-born Cody became the first person to make an officially recognised flight in a powered aeroplane in the UK before the plane he built crashed into bushes.

Survey of social trends Satisfaction with state health service still high; private medical insurance declines

Thatcher revolution fails to dent welfare society

By Andrew Adonis,
Public Policy Editor

After 17 years of Conservative government, Britain is still a welfare society, with three-quarters of all households receiving some type of social security benefit apart from free education and health. And most people appear to be proud of the fact.

The dominance of the welfare state is a central theme of the annual report on social trends published yesterday by the government's Central Statistical Office.

This year's survey puts numbers on everything from the popularity of swimming – three times greater among professionals than among manual workers – to the destinations of British holidaymakers. Spain regained its number one position in 1994, pushing France back into second place.

The survey shows that spending on social protection benefits increased by about two-thirds in real terms between 1980 and 1994. Although the elderly remain the largest welfare consumers, accounting for nearly half of all benefits spending last year, it is not the retired who are putting most pressure on public spending. That is coming from the sick and disabled, spending on whom nearly tripled in real terms, to £20bn ($30.2bn), between 1981 and last year.

The main pillars of the welfare state remain broadly popular. A recent survey cited shows 44 per cent quite or very satisfied with the state health service against 38 per cent very or quite unhappy.

The number of people with private medical insurance fell in the early 1990s to 6.8m in 1994 after a decade of sharp growth. Private provision is closely correlated with income: more than a third of households with gross annual income above £26,000 had private medical insurance in 1994.

The break-up of the traditional family also features prominently. The proportion of children living in single-parent families has tripled since 1972 and now accounts for one in five of all children. However, the period of dramatic change was not the 1990s but the 1980s, when it rose from 10 per cent to 18 per cent.

It is a similar story with single-person households. Although as a proportion of all households they are up from 14 per cent in 1961 to 27 per cent today, the 1980s was the decade of sharpest increase, with a slowing in the rate of growth since.

The number of people aged 80 and over has more than doubled since 1961 although the proportion of over-65s in the population as a whole has not increased much in that period. Indeed, projections show it falling slightly by the turn of the century, and not rising significantly until the third decade of the next century.

The well-documented decline of marriage, rise of divorce and increase in the average age of childbirth among women are graphically supported. Divorce has increased nearly sevenfold since the early 1960s, with the number of first marriages declining by nearly two-fifths over the same period. In 1994 the average age of mothers at first birth was more than 28 – up from less than 25 in 1974.

● The proportion of mothers in the labour market soon after giving birth has risen sharply in the past 25 years, our Employment Editor writes. In the early 1970s fewer than 10 per cent were economically active within a year of having a baby; by the end of the 1980s that figure had risen to 68 per cent. Mothers in full-time employment were more likely to be in white-collar jobs while part-timers were mostly located among sales staff and manual occupations.

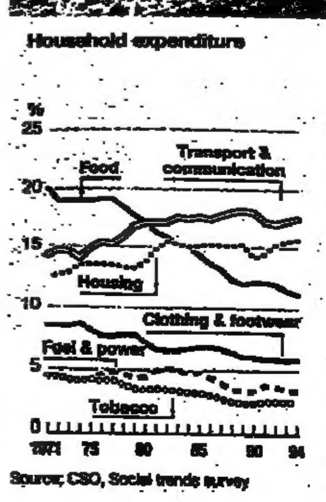
Gambling has become the fastest area of growth in consumer spending, while boats and private aircraft sales are booming as Britain tries to cheer itself up after the recession, *our Marketing Correspondent writes.* Households set aside 42 per cent more in the past year for gambling losses, mainly because of the National Lottery, says Mintel, the market intelligence group.

In 1994, gambling losses nationally totalled £3.7bn, or 0.9 per cent of all household spending. By last year this had climbed to £5.3bn, or 1.2 per cent of spending, Mintel reports. While 66 per cent of adults gambled in 1991, the figure rose to 91 per cent last year. Mintel says increased spending on gambling "reflects a need for increased excitement and the hope of winning a fortune as a release from current financial constraints and hardship imposed by a low inflation economy and high unemployment".

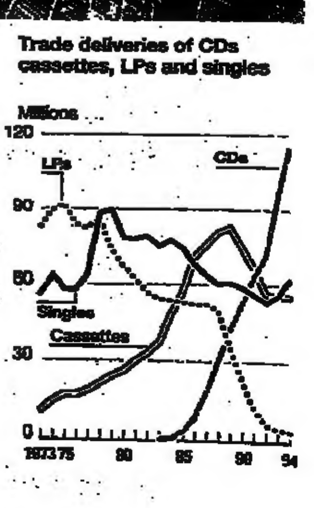
While the lottery has been most popular with families on tight budgets, the most affluent groups have been buying boats and planes, says the survey. Spending on these goods has risen nearly 17 per cent in the past year to £2.2bn ($3.3bn). After expenditure on gambling and recorded music, which rose 20 per cent, spending on such items has been the third-fastest growth area.

Less food and more CDs

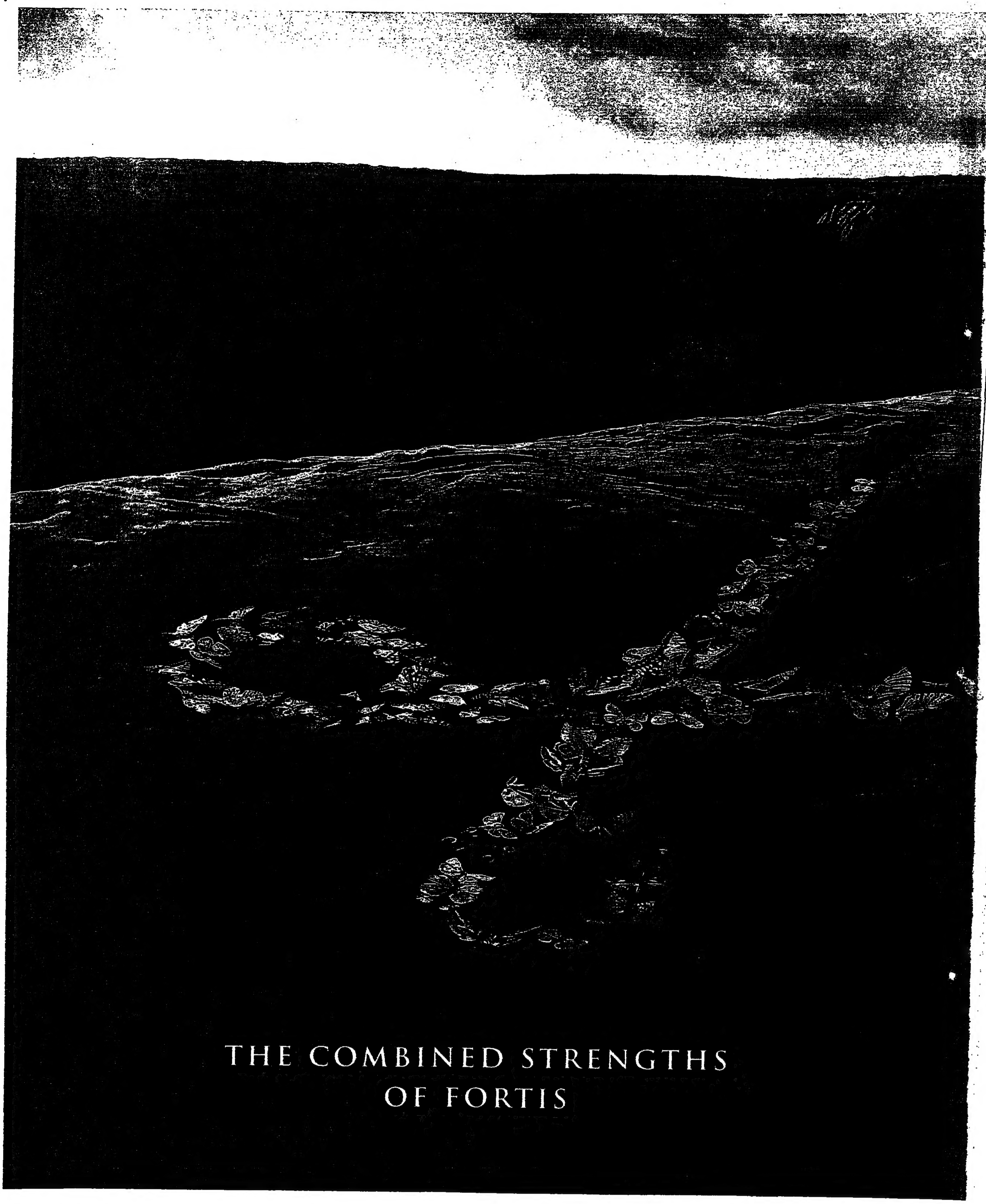
Household expenditure



Trade deliveries of CDs cassettes, LPs and singles



Source: CSO, Social trends survey



Take a few companies at random, put them together, and what have you got? Just a list of names.

But if you can make these same companies work together in the right way, then you create something that can stand up to any threat. Five years ago, Fortis didn't exist. Today, Fortis has a balance sheet total of some ECU 115 billion, and is one of the world's largest financial service groups.

Few companies can match such a performance. Yet the basis for this success is really quite simple: it is a matter of combining strengths.

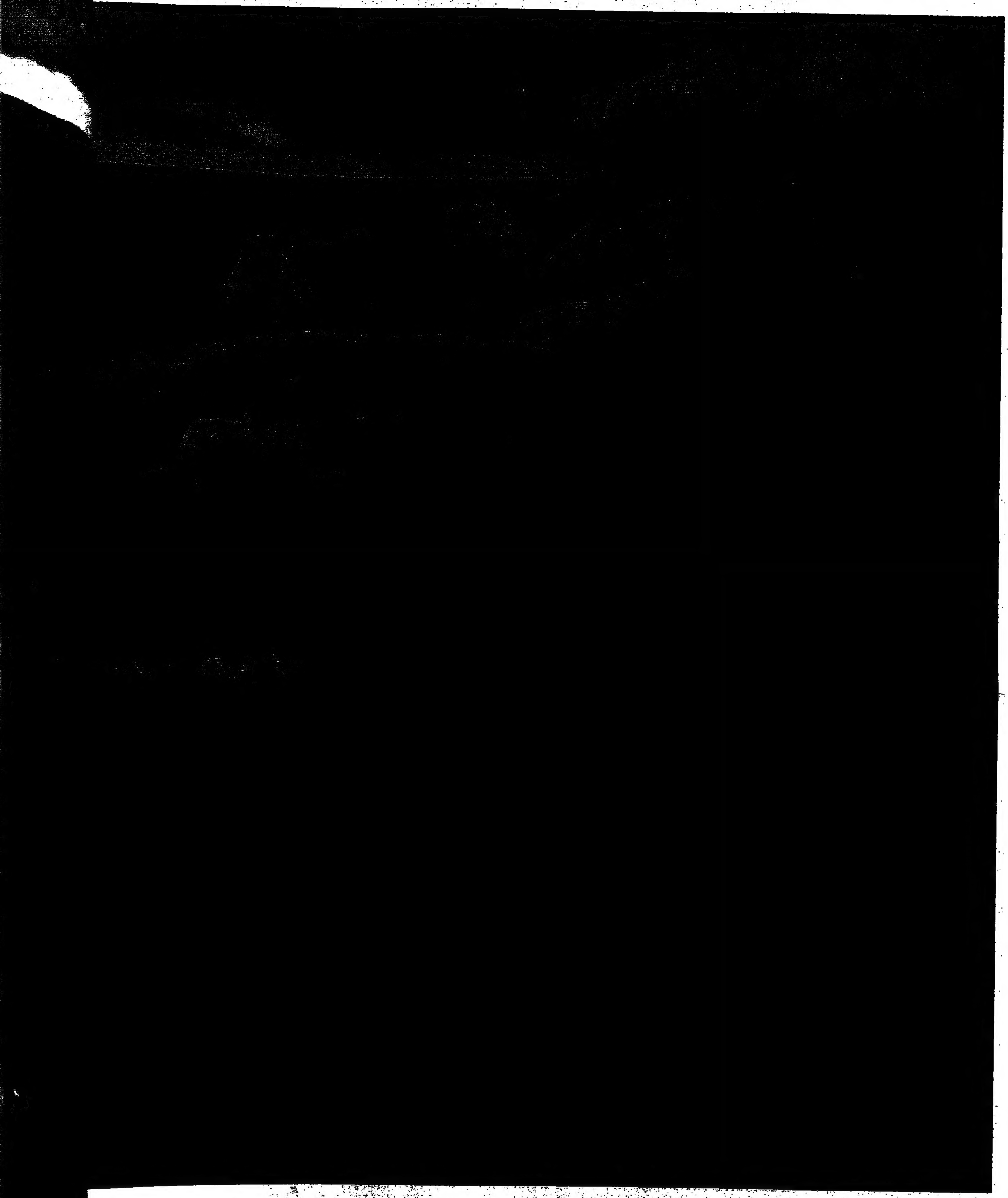
In 1990, the Dutch bank-insurer AMEV-VSB, and Belgium's largest insurance company AG, decided to join forces. The result was Fortis. A unique, strategic combination of know-how and resources. And an excellent basis for further growth, whether internal or through acquisitions.

Now Fortis has more than 100 companies active in the fields of insurance, banking and investment. In all parts of the world.

Individually, each company has a strong position in its home market.

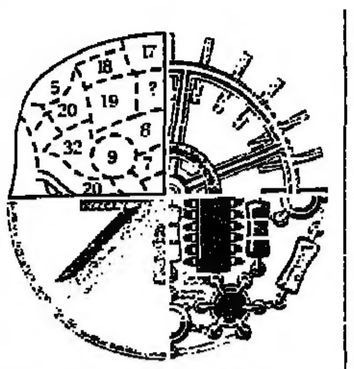
Following the Fortis principle of freedom with discipline, they carry on doing what they do best. While preserving their individual character and specific qualities. And

Fortis companies are among others. Australia: AIM Holdings, AMEV Funds, Fortis Australia Ltd., Fortis Life Assurance, TGIO, VACC Insurance. Belgium: ACE Factors, AG …
… GWK Bank, Intervolo Verzekeringen, KBW Effectenbank, NeSHIC Groep, TOP Lease, VISA Card Services, VSB Bank, VSB Leven, VSB Onroerend Goed Financieringen …



TECHNOLOGY

Worth Watching · Vanessa Houlder



New light on sun damage to skin

US scientists believe they have found a molecular mechanism – and possible treatment – for sun-induced skin damage.

Researchers at the University of Michigan Medical School found that low doses of ultraviolet-B radiation, equivalent to two or three minutes of summer sunshine, induce the body to produce several protein degrading enzymes.

That may be the mechanism by which long-term exposure to sunlight slowly degrades collagen and elastin in the skin, leading to wrinkles and lost elasticity.

The researchers found that the induction of these enzymes is blocked by all-trans retinoic acid, which acts by inhibiting a mediating protein. That means that retinoic acid, which is already used to repair sun-induced skin damage, might also be useful in preventing this effect. However, the side-effects of retinoic acid may make it difficult to interpret the results of long-term trials.

University of Michigan Medical School: US, tel 313 747 0078; fax 313 747 0076.

Potent plant-based pesticides

Two potent pesticides, extracted from a South American plant, could control a number of damaging pests that are resistant to many insecticides.

The active compounds, called naphthoquinones, were isolated from the Calceolaria andina plant which grows in mountains in Chile. The researchers have produced more active synthetic analogues that use the commonly available dye henna as an intermediate.

The compounds are effective against highly damaging resistant pests such as the tobacco whitefly that can transmit up to 60 viruses and colonise 600 different crop and weed species.

The project involved IACR-Rothamsted, Royal Botanic Gardens at Kew, the University of Southampton and the University of Chile-Probio. BTG, the technology transfer company, funded and co-ordinated it.

BTG: UK, tel (0)171 403 6666; fax (0)171 403 7586.

Phone calls at your convenience

A versatile telephone call management system that will make it easier to screen incoming calls has been developed.

The TPS Personal Assistant tracks down the user with a pre-arranged schedule of the locations and times when the user will accept calls. The system records callers' names, allowing the user to decide whether to take the call. If not, or if the user is not available, the system takes a message and notifies the user by pager or e-mail.

The system offers the user a single number for all telephone calls and faxes. It allows the user to store and print out incoming faxes at any location. TPS, a new company which operates in the UK and US, has signed an agreement with Cellnet which will launch the service early this year.

TPS: UK, tel (0)1753 567766; fax (0)1753 567767.

Measuring with a magnetic field

A non-contact measurement technique using magnetic induction has been developed by Scientific Generics, a UK technology group. Applications for the technique, which can measure lengths varying from millimetres to hundreds of metres, range from machine tool systems to light railway systems.

The technique involves passing an alternating current through a conductor on a reference strip. That causes a magnetic oscillation to build up in a resonator attached to the moving object.

When the current stops and the oscillation of the resonator decays, the fading magnetic field is detected by further conductors on the reference strip. Its position can then be calculated using processing electronics.

Scientific Generics: UK, tel (0)1223 875200; fax (0)1223 875201.

Two ways to ring in

Demand for phones that can be used as normal or as mobiles is expected to be high, says **George Cole**

Thousands of telephone users in Japan are discovering that one handset is better than two. They are using cordless phones designed to act both as a mobile phone and a conventional fixed-line telephone in a home or office.

The principle behind these so-called dual-mode phone systems is simple: when the handset is used at home or work, it connects to the building's fixed-line telephone system, but when used outside, it links to a mobile phone network.

Telecoms operators and electronics companies are convinced that the demand for dual-mode phones will be huge, as they are simple, versatile and potentially cheaper to run. Companies marketing or promoting dual-mode phones in Japan include Panasonic, Sharp, Toshiba, Motorola, NTT and Cable and Wireless.

Meanwhile, dual-mode handsets for European markets are being developed by Siemens and Motorola, with the latter planning also to launch a system for its home US market.

In Japan, the digital Personal Handyphone System (PHS) was launched in Tokyo and Sapporo by telephone operators NTT and DDI last July and is now available in the main Japanese cities.

In a home or office, a PHS phone connects to the residential or business line via a base station, and calls are charged at the normal rate. When used outside, the PHS handset is linked to a series of miniature transmitters or cells, and can be used almost anywhere, including underground car parks and shopping malls.

The phone can be operated while the user is stationary, walking or travelling less than 30 kilometres an hour – it will not completely replace other mobile phone systems, which can be used in cars.

Even so, supporters of PHS claim it is much cheaper to run than a conventional cellular phone. For example, the monthly subscription for PHS is around $27 (£17) compared with $84 for an analogue cellular phone, and PHS call charges can be up to five times cheaper. A PHS phone can also be linked to a notebook computer or electronic organiser for transmitting data at high speed.

The lower running costs, coupled with the convenience of a multi-purpose handset and mobile data communications, have encouraged rapid growth in PHS sales. Japan is expected to have around 8m cellular phone subscribers by the middle of

Dual-mode phones are simple, versatile and potentially cheaper to run

this year, 1m of whom are predicted to be PHS users. This latter figure is expected to grow to 3m by the middle of 1997 and reach 38m by 2010.

At last year's Japan Electronics Show, in Osaka in October, DDI was host to Communication Town, a large stand featuring PHS phones from companies such as Aiwa, Casio, JVC, Kyocera, Kenwood, Sharp, Mitsubishi, Panasonic, Sanyo and Toshiba.

Other Asian territories, including Hong Kong and Singapore, are planning to launch PHS services. China, Indonesia, Malaysia and Thailand are studying the system. In October, NTT and the UK's Cable and Wireless formed a joint venture to promote PHS outside Japan.

In the US, Motorola is planning to launch its Intelecall system. The system, which is analogue, has two parts: a special handset known as a Personal Phone Series (PPS) and a base station which is located at a home or office. The base station continuously transmits a control signal on the cellular frequency band, which tracks the handset's location.

When the PPS handset enters the coverage range of the base station it automatically registers and connects to the fixed-wire telephone system. If someone calls the cellular number, it is automatically routed along the landline to the home or office just like a normal phone. When the PPS handset is taken outside, it reverts to a mobile phone and calls are directed to the cellular phone system. The base station can also be used as a speaker phone.

Motorola is targeting Intelecall at home-workers, small businesses and consumers who like being first to buy new technology. The PPS handset and base station is expected to sell initially for around $300 to $400.

In Europe, the new handsets will be based on a digital cordless phone system, DECT (Digital European Cordless Telephony). The dual-mode phones will enable users to link to a home or office fixed-line system and a network offering the GSM digital mobile phone standard.

However, the prospects for a combined DECT/GSM phone are uncertain. While sales of GSM phones have been high, this is not the case for DECT. The system is designed to act as a gateway to other telephone systems, wired and cordless; it is aimed at small businesses and large offices, and can be used as a public telephone system in places such as airports or exhibition centres, where the cost of installing a fixed-line system could be prohibitive.

Supporters of DECT believe dual-mode phones will greatly improve the system's appeal. But even if DECT/GSM phones fail to make an impact at this stage, the concept of a handset that can be used both inside and outside the home is so attractive that European consumers would doubtless be offered another dual-mode system in due course.

Safe cybershopping

Louise Kehoe on security for Internet credit card users

With the advent of "secure" Internet software, cybershoppers can now be reasonably assured that their credit card numbers will not fall into the wrong hands. For Internet merchants, however, verifying the credit-worthiness of online customers remains a challenge.

Many retailers selling goods via the Internet still resort to old-fashioned methods to complete transactions. They ring a credit verification bureau before approving the electronic transaction.

Banks and credit card companies, similarly, often manually transfer electronic charges received via the Internet into their existing payment processing systems.

Aiming to plug this gap in Internet transaction processing and bring electronic commerce into the mainstream, Netscape Communications, an Internet software company, and VeriFone, the leading supplier of credit card verification systems, have joined forces. They plan jointly to develop software that will enable merchants, banks and credit card companies to process Internet purchases more easily.

"Consumers need to know they can safely pay for something electronically. Merchants need to know they can safely accept [the payment], and banks and other financial organisations need to be able to process it," says Hatim Tyabji, chairman and chief executive of VeriFone.

In contrast to start-up companies such as Cybercash, Digicash and First Virtual, which have created "electronic cash" and secure credit card payment systems for Internet shoppers, Netscape and VeriFone will focus on the "back end" of Internet commerce.

The goal is to create a system for the Internet that merchants will find as easy to use as VeriFone's familiar credit card "swipers", which are used to process about two-thirds of retail credit card transactions worldwide.

Netscape and VeriFone will work with Visa, Mastercard and other credit card groups to ensure compatibility with existing and planned security protocols, the companies say. They aim to complete the new software by October.

The next step will be to expand the system to handle "micropayments" of just a few cents. These are expected to become common on the Internet as information services introduce charges.

The new alliance will encourage Internet shopping, industry analysts predict. Last year, an estimated 1 per cent of online users made purchases via the Internet. But market researchers at Killen & Associates, a US-based firm of analysts, predict that online commerce will soar to $8bn (£5.1bn) by 1997 with possible sales of $45bn by 2005.

Cinema/**Nigel Andrews**

Dressed-up Zen Buddyism

Michael Mann's *Heat* raises an old question about Hollywood aesthetics. Does banality improve with grandiloquence? Or do fancy sounds and gestures make the trite triter?

For all but three hours police detective Al Pacino chases master thief Robert De Niro across a widescreen, luminously photographed Los Angeles, trying to capture him at each new corpse-littered robbery. Or in Pacino-speak, "Wobberwy". For here are cinema's two toweringly quirky Italian-Americans, twinned for the first time since *Godfather II*. Pacino struts, flounces, teases, yells and wobbles his Rs. De Niro broods, husky-voices and emotes.

Writer-director Mann launched his feature career with two high-gloss quasi-philosophical thrillers, *Thief* and *Manhunter*. Both dealt in eye-catching visuals, dourly mannered performances and outbreaks of orotund dialogue. That Mann can achieve the "epic" we do not doubt. He spread Fenimore Cooper's forests across the screen in *The Last Of The Mohicans*. But *Heat*'s epic tone is invoked to dress up what seems a familiar, threadbare concept: our old Hollywood friend, Zen Buddyism.

Pacino and De Niro, the film tells us, are brothers on opposite sides of the law. Everything they do is meaningfully cross-cut, from staking out potential crime scenes to jawing with the pals over coffee. They even have parallel love plots. While De Niro conducts tortured chat with his shy new girlfriend (Amy Brenneman) in her gleaming love-nest atop the Hollywood Hills – it is amazing what an unknown graphic designer can afford when Warner production values are paying the bill – Pacino wrangles with alienated wife Diane Venora.

Life with this police husband is the old old story. He is never there; he never talks when he is. So she ends up committing adultery, explaining to Pacino, "I have to demean myself with Ralph just to get closure with you." Like many of the characters she has obviously been reading Psychobabble Monthly, probably at the hairdressers where she gets her weekly mis-

HEAT
Michael Mann

THE FLOWER OF MY SECRET
Pedro Almodóvar

SABRINA
Sydney Pollack

WAITING TO EXHALE
Forest Whitaker

treated-wife coiffure (flat, black, pudding-basin).

The critics who rhapsodise about *Heat* love its ornate ambitiousness of theme and image. It looks a billion dollars; it *looks* like cinema's answer to those gleaming, hi-tech, late-Deco, post-post-modernist buildings in America's downtowns where Mann (who also produced TV's *Miami Vice*) has lost his heart. And critics think that something majestic, even Sartrian is being said about the human soul in the musings about spiritual bonding between lawman and outlaw.

Amid its merely half-bad scenes, *Heat* has two truly bad ones: those in which De Niro and Pacino actually meet. One is set in a diner, during which they exchange sonorities about choice and destiny. The other is the *final* shoot-out on a nocturnal airfield, which closes with the detective grasping the hoodlum's hand in an amity that goes beyond words.

Those who praise such portentous "closures" have hung up their responses to other, more down-to-earth story-matters. De Niro is a free soul who will never submit to jail, so in Mann's script he must keep escaping with Houdini-like improbability from miscarried heists. In one scene he drags a wounded comrade across some 200 yards of police fire in broad daylight before calmly stealing a car to drive away.

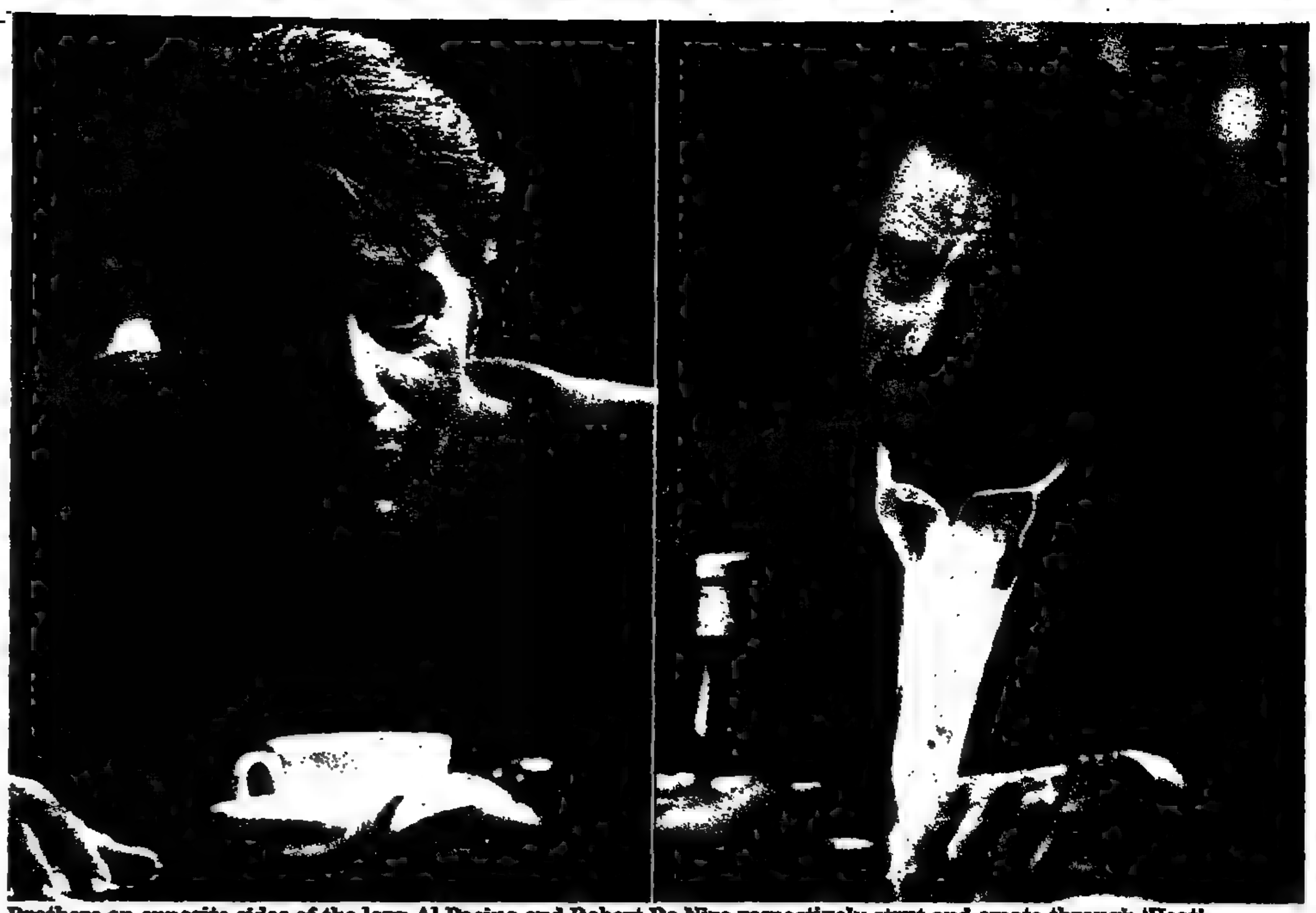
No doubt Mann's defence, if he did not fall back on classic plausibility-disclaimers like "mythic", would be that the inner human drama transcends the literal logistics. But the sad thing about *Heat* is how little human drama there is. One great screen actor, Pacino, coquettes about, firing off his virtuosic behaviour tropes. The other sleepwalks through a role as ill-defined in design as it is in execution. When De Niro muses to his girl about the resemblance between the distant city lights and "the iridescent algae of Fiji", we feel we are watching a master-crook who must have spent his youth stealing *over*-written travel books.

•

The week's other non-British films boast a bizarre unity. All three are about women waiting and weeping, or flamboyantly railing, over the men in their lives.

The best by far is Pedro Almodóvar's *The Flower Of My Secret*. This serenely anguished chamber drama comes from the Spanish master who once gave us *Women On The Verge Of A Nervous Breakdown* but whose more recent films have suggested a director on the cusp of artistic collapse.

Recovering tragicomic balance, he explores here the double life in all of us: not just his fortyish novelette-writer (the superb, gaunt-



Brothers on opposite sides of the law: Al Pacino and Robert De Niro respectively strut and emote through 'Heat'

faced Marisa Paredes) who wants to throw away her bestselling past and write serious books about love and pain, but the shrill peasant mother who is also a poet and the maid who is also a Flamenco dancer.

Everyone is disappointed in love, especially Paredes. Her Bosnia-serving boyfriend uses his weekend leave to fire off sonorous goodbyes. He: "I'm trying to save many lives." She: "Try to save mine!" Not since Fassbinder has a director so mastered the trick of using "corny" dialogue at once to heighten and to ironise everyday tragedy.

But rather than surrendering to that tragedy, the characters wrong-foot it by running towards their second selves. Subduing his familiar lollipop colours and crazy-quilt compositions, Almodóvar conjures more eerily surreal images of fragmentation. An ornate glass photo-frame, dashed in a tantrum, shatters into a dazzling hail of blue marbles. A dozen cunning variations are played on mirror shots. And look for the ingenious pantomime horse trick involving two red cars half-concealed behind a billboard.

From Hollywood, coming down with a bump, we have *Sabrina* and *Waiting To Exhale*. In the Billy Wilder remake, Harrison Ford takes the old Humphrey Bogart role and makes it seem very old indeed. As the millionaire who loses his heart to chauffeur's daughter Sabrina (Julia Ormond), while trying to steal *her* heart from his playboy brother, Ford acts like a matinee idol with sciatica. But then the whole fairy-tale, under Sydney Pollack's direction, has lost its acidity here and ended up like a stick of rock: long, sweet and muscle-aching to consume.

In the equally glutinous but pseudo-feminist *Waiting To Exhale*, four black wimmin strive to assert themselves in the sex war. Whitney Houston cannot prise her married lover from his wife, bionic-cheekboned Angela Bassett cannot find a man strong enough for her passion, and the other two cry Lawd-help-us – a refrain willingly taken up by the audience – as they meet fat guys, gay guys, limp guys, white guys and other insults to manhood. Love scenes shot with a gauzy opulence alternate with long, gripey chat sessions in which we long to say, "Look, girls, if you can't find the right man, maybe the chooser is at fault not the range of choices."

There is little better news on the male-oriented British front. Chris Newby's *Madagascar Skin* is a crypto-gay fable in which Bernard Hill and John Hannah meet on a terminal beach and then adjourn to tackle a near-terminal, Beckettian script. And Scott Michell's *The Innocent Sleep* is all hand-me-down dialogue and help-me-up acting, in a rock bottom London-set gangster film based on the Calvi hanging.

Theatre/**Alastair Macaulay**

Divas take to the New York stage

There have been a motley assortment of divas in New York recently. The city's latest star role is that of Maria Callas, whom Zoe Caldwell, known on Broadway for her accounts of Medea and other heroines, is now playing in Terrence McNally's play *Master Class*. There is talk of both London and Paris productions of the play; both Meryl Streep and Jeanne Moreau are said to be keen to play the role.

Unfortunately, both play and role are terrible; and Caldwell's performance, at least at the Saturday matinee I attended, was no better. You can now buy CDs of some of the actual masterclasses Callas herself gave in New York in 1971. Callas was remarkably patient, serious, attentive, practical, and musically wise, despite a large number of inadequately prepared students; and the great event was her own demonstrations of how the music should go.

McNally's love of Callas is beyond doubt. She is an icon invoked in his opera-queen play *The Lisbon Traviata*, and he has written a foreword to the latest edition of John Ardoin's standard study of Callas recordings, *The Callas Legacy*. However, the Callas that McNally presents onstage is a self-obsessed bitch. She never seriously listens to her students, never imparts a scrap of intelligent musical information, continually reminisces about her own triumphs and tribulations. Though some of the words are reproduced from Callas almost verbatim, they are so edited that they wholly falsify Callas's character.

Yet, though McNally could certainly have been more faithful, it might have been better had he taken more liberties. In each act, he leads his Callas into a kind of mad scene, in which she talks away, oblivious to all else. Good idea: for Callas – whose voice, even in its wrecked condition in the 1970s, is haunting because it seems to be the sound of our own neurosis – was at her most unique when, oblivious to the outer world in mad scenes, she set out the changing but driven course of her solitary emotions. But McNally's Callas is merely another *monstre sacré* – or rather, just another drag queen. The men in her life, the fights she has had with them, and the applause she has enjoyed are what occupy her mind.

Caldwell catches the harshly nasal way that Callas continually says "Eh?" to her students. And in the one line that she sings – Lady Macbeth's first line of sung recitative – she catches some of the broken-reed sound Callas had in this too-late stage. For the rest, however, she speaks with a slow-cream English-actressy urbanity that wholly misses the target. Callas, though sophisticated, was forever muddling or correcting her own English, or gilding it with affectations. Music was what made Callas urgent and spontaneous and focused; but music is the last thing on the mind of the McNally/Caldwell Callas.

Talk of drag queens and ageing singers brings us to *Victor/Victoria* (Marquis Theatre). Nothing about Julie Andrews's performance in this musical (book, Blake Edwards; music, Henry Mancini; lyrics, Leslie Bricusse) is surprising. She gets a big hand for her tango number, but she is not a great tango dancer; she is simply Julie Andrews, a game and polished trouper, almost as lady-like and as English and as perennially youthful as Margot Fonteyn, and she gets the applause for still being herself in such atypical circumstances.

Her prissy vowels and frequent flatness are unchanged. She has lost some top notes, gained more strength in lower notes. And, when we see her immediately after sex with the hunky gangster hero, she collects herself as daintily as ever, and perches on the edge of the bed – knees together and one buttock off. Age cannot wither her, nor custom stale her infinite gentility.

Meanwhile, at the Martin Beck Theatre nearby, her chum Carol Burnett is repeating *her* kind of thing in *Moon over Buffalo*. Burnett, a robust, expert, wide-mouthed comedienne, has developed her act over long years of acclaimed TV shows. She keeps turning the play into a series of displays of her comic technique. It is a tribute to her resourcefulness that I laughed at her most near the end of the play, during one of her most outrageous but skilled responses. But she is – natch – doing the Carol Burnett Show (it's what what she knows best, and what her audience expects of her) amid a production where everybody else, notably Philip Bosco as her husband, is more or less just doing the play. It is a shock to realise that *Moon over Buffalo*, by Ken Ludwig, is new. A backstage comedy in which every thing goes farcically wrong in all the usual ways it might well, apart from a few lines that feel like anachronisms, have been written over 30 years ago.

London Mime Festival

Symbols and circuses

To create eye-catching symbols on stage is easy; to create symbols that are truly eloquent and affecting is much more difficult. This is something that the master of the art, Peter Brook, has long understood: he has talked about how the symbol – the candle, the circle of fire, the billowing cloth – however simple, should not be the starting point, but the final attempt at expression. And it is something that many of Brook's emulators have not understood. But there is something of that same, resonant quality in Raimund Hoghe's *Meinwärts* from Germany, one of the highlights of the London International Mime Festival so far (seen at the ICA).

Hoghe's show is a simple and rather uneventful piece, but it is invested with such dignity and sincerity that the images he creates are unexpectedly moving. The piece starts as a homage to the tenor Joseph Schmidt, who died in a Swiss internment camp at the age of 38, having fled Nazi Germany. Schmidt had a beautiful voice, but his disability – restricted growth – made him unattractive to the Nazis, his Jewishness even more so.

Hoghe tells us his story, but his telling is invested with personal sympathy: Hoghe too is small and suffers from curvature of the spine. So when, at the outset of the show, this small solemn man stands, centre stage, a cold spotlight playing on his naked, lumpy back, and repeatedly swings from a low trapeze to the sound of a crackly recording of Schmidt's glorious singing, the image is so loaded with vulnerability that it brings tears to your eyes.

Yet the piece is not sad – it is more reflective, as Hoghe pads around the stage, gravely lighting candles or scattering objects. Occasionally he steps forward to a lectern and reads from a text, and thus he gradually expands the scope of the show. He talks of neo-fascism in modern Germany and eventually he starts to recollect others who have died before their time, this time from Aids. Slowly the piece becomes a requiem for young men extinguished too early and a plea for tolerance and compassion. Candles become a leitmotif so that when he finally lines up 20 nightlights, and quietly places a photograph beside each one, you find yourself holding your breath.

There was plenty of breath-holding too at Rasposo's *Le Fou de Basson*, though for different reasons. This French circus group (at the Queen Elizabeth Hall) recreates the atmosphere and repertoire of an 18th-century circus. Simplicity and warmth create the show's charm. There is no glitz: artists clad in period costume go through simple, well executed routines in a carpeted and curtained arena. The two female trapeze artists are the most impressive, swinging out over the audience supported only by tiny heels or slender ankles, the perilous high-wire act lit by flaming torches.

French circuses do things differently now. Jerome Thomas's show *Hic Hoc* (Purcell Room), also from France, revels in the absurd. Thomas opens the show with an engagingly pointless monologue about the meaning of art, before introducing a team of four male jugglers. These hunky chaps in chest-baring body suits eschew the usual method of controlling their juggling balls and instead manipulate them from afar, by threading them on to elastic, cord or poles.

The result is often visually amazing. At one point they lie on the floor, a ball-strung cord in each hand, and create a mesmerising cat's cradle of shapes in the air – when moved fast enough, the path of the ball appears solid and so we get an astonishing geometrical pattern. The optical effects are more impressive than the gags however, and there comes a point where you long for them to do some good old-fashioned juggling. So it comes as a relief when Thomas himself returns to perform a brilliantly adept juggling duet with a pianist – even if he is wearing a frock and flippers.

Absurd charm from the home team comes in the shape of the delightfully named Clod Ensemble. Their show, *Musical Scenes* at BAC, is just what it says: a series of short, silent sketches to music. Not all are successful, but the group has a wonderful streak of originality which, together with a precision of performance, makes them very watchable. In one scene, to a garbled version of "Frère Jacques", a man sits sleeping in an armchair, never quite able to rouse himself from slumber, to the frustration of the child sent to fetch him. Who could resist a show cheeky enough to focus on someone sound asleep on stage?

Sarah Hemming

The festival continues until January 28 (0171-637 5661).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

DANCE
Het Muziektheater Tel: 31-20-5518117
● Kaguyahime: a choreography by Jiri Kylián, performed by the Nederlands Dans Theater I; 8.15pm; Jan 28, 31; Feb 1

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: with conductor Rafael Frühbeck de Burgos and guitarist Pepe Romero perform Turina's "La Oración del Torero", Palomo's Nocturnos de Andalucia" and Beethoven's "Symphony No.3 (Eroica)"; 8pm; Jan 27, 28
EXHIBITION
Altes Museum Tel: 49-30-2662657
● Von allen Seiten schön. Bronzen der Renaissance und des Barock: exhibition of European bronzes from the 15th to the 18th century. A major part of the exhibits was acquired by maecenas/museum director Wilhelm von Bode; to Jan 28
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Le Nozze di Figaro: by Mozart. Conducted by Shao-Chia Lü and performed by the Komische Oper; 7pm; Jan 27

FRANKFURT

CONCERT
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● Piano Concerto: by Ligeti. Performed by 3. Happy New Ears with conductor Peter Eötvös and pianist Ueli Wiget; 8.30pm; Jan 30

GENEVA

POP-MUSIC
Grand Casino Tel: 41-22-7319811
● Phil Collins: performance by the British singer, drummer and composer; 8.30pm; Jan 27

HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● Rigoletto: by Verdi. Conducted by Kazushi Ono and performed by the Hamburg Oper. Soloists include Victoria Loukianetz, Franz Grundheber, Hanne Krogen and Johan Tilli; 7.30pm; Jan 31

HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Sylvie Guillem and Laurent Hilaire: perform the choreographies "Lame" by Pierre Dardo, "La Luna" and "Episodes" by Maurice Béjart, "Wet Women" by Mats Ek, and "In the Middle, Somewhat Elevated" by Thom Willems; 7pm; Jan 31

INNSBRUCK

OPERA & OPERETTA
Tiroler Landestheater
Tel: 43-512-52074
● Love for Three Oranges: by Prokofiev. Conducted by Kasper de Roo and performed by the Tiroler Landestheater. Soloists include Mads Bogh-Svendsen, Cornelia Hosp and Joachim Seipp; 7.30pm; Jan 27

KOWLOON

CONCERT
Concert Hall Tel: 852-273-42819
● Hong Kong Philharmonic Orchestra: with conductor David Atherton and pianist Jon Kimura Parker perform works by Tchaikovsky, including Act II from "Nutcracker" and "Piano Concerto No.1"; 8pm; Jan 27, 28

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Guy Bovet: the organist performs works by Racquet, Dandrieu, Dacquin, Charpentier, Boely, Lefébure-Wély, Franck, Alain and Bovet; 8pm; Jan 30

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Young Musicians Symphony Orchestra: with conductor James Blair and horn-player Richard Watkins perform the overture from Wagner's "Die Meistersinger von Nürnberg", Lees' "Horn Concerto" and R. Strauss "Ein Heldenleben"; 7.30pm; Jan 29
Royal Festival Hall
Tel: 44-171-9604242
● The Michael Nyman Band: performance by this band led by pianist/composer Michael Nyman; 7.30pm; Jan 30
Wigmore Hall Tel: 44-171-9352141
● Nikolai Lugansky: the pianist performs works by Rachmaninov, Beethoven, Scriabin and Prokofiev; 7.30pm; Jan 26
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Midsummer Marriage: by Tippett. Conducted by David Syrus and performed by The Royal Opera. Soloists include Cheryl Barker, Lillian Watson and Eiddwen Harrhy; 7pm; Jan 27

NEW YORK

AUCTION
Christies, Manson & Woods International, Inc.
Tel: 1-212-546-1000
● Americana: highlight of the sale is the original Presidential Proclamation of the Louisiana Purchase, the largest real estate transaction in history. The document, signed by President Thomas Jefferson and Secretary of State James Madison, comes from the library of Mrs Charles W. Engelhard, wife of the former chairman of the Engelhard Corporation; 10am; Jan 26
CONCERT
Juilliard Theater and Paul Recital Hall Tel: 1-212-769-7406
● Jonathan Feldman: the pianist invites guest artists bassoonist Judith LeClair, flutist Julius Baker, violinist Joel Smirnoff, viola-player Toby Appel, cellist Joel Krosnick, pianist Samuel Sanders, and percussionists Daniel Druckman and Gordon Gotlieb in a concert featuring works by Bartók, Brahms and Kuhlau; 8pm; Jan 29
EXHIBITION
The Frick Collection
Tel: 1-212-288-0700
● The Butterfly and The Bat, Whistler and Robert de Montesquiou: exhibition devoted to James McNeill Whistler's portrait "Arrangement in Black and Gold: Comte Robert de Montesquiou-Fezensac", painted in 1891-92. Included will be paintings, drawings, prints, sculpture, photographs, decorative art objects, books, period clothing, and memorabilia. These items, many of which belonged to Whistler or Montesquiou, will serve to document the history of this portrait; to Jan 28
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Makropulos Case: by Janácek. Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Mary Jane Johnson, Graham Clark, Richard Stilwell and Donald McIntyre; 8pm; Jan 27

PARIS

CONCERT
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● Gustav Leonhardt: the harpsichord-player performs works by Weckmann and Couperin; 6pm; Jan 27
EXHIBITION
Musée du Louvre
Tel: 33-1 40 20 50 50
● L'âge d'or du petit portrait: exhibition of 18th and 19th-century miniature portraits. The 118 exhibits come from the collections of the Musée des Arts décoratifs de Bordeaux, the Musée de l'Horlogerie de Genève and the Musée du Louvre; from Jan 26 to Apr 22

ROTTERDAM

CONCERT
De Doelen Tel: 31-10-2171700
● Vladimir Ovchinikov: the pianist performs works by Metner, Scriabin, Prokofiev, Tchaikovsky/Grainger and Stravinsky; 8.15pm; Jan 26

SALZBURG

CONCERT
Grosses Festspielhaus
Tel: 43-662-80450
● Wiener Philharmoniker: with conductor Nikolaus Harnoncourt and baritone Thomas Hampson perform arias by Mozart and his "Symphony No.41 (Jupiter)", and Beethoven's "Symphony No.8". Part of the Mozartwoche '96; 7.30pm; Jan 27

WASHINGTON

EXHIBITION
National Portrait Gallery
Tel: 1-202-357-1915
● Rebels: Painters and Poets of the 1950s: two-part exhibition that examines the revolutions in painting and poetry that took place on the East and West Coasts following the second world war; from Jan 26 to Jun 2

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Peter Martin

When big is not always best

Pressures to merge are strong in the European aerospace industry, but the results can often be dire. Companies have much to learn from Dasa's purchase of Fokker

What is the difference between Boeing, the world's most successful aircraft manufacturer, and Daimler-Benz Aerospace (Dasa), now limping away from its disastrous purchase of Fokker?

Not just the fact that Boeing made profits of $700m (£454m) or so last year while Dasa is a big contributor to Daimler-Benz's forecast loss of DM6bn for 1995.

It is also that Boeing still has basically the same shape it had in 1934: a single company, which has grown organically to become the largest maker of civilian aircraft. Dasa, by contrast, is the product of a string of mergers.

Over the years, Dasa has picked up Dornier, Motoren und Turbinen Union, Vereinigte Flugtechnische Werke, Messerschmitt-Bölkow-Blohm and the controlling stake in Fokker. Many of these were the product of earlier amalgamations. In short, Dasa represented pretty much the whole of the German (and Dutch) aerospace industry.

The lesson that is generally being drawn from this sad story is how unwise Daimler was to diversify away from its central car and truck business. That is certainly true. It is also true that the aerospace assets it gathered together were weak ones, many rescued from failure only by their merger into Dasa.

But there is a broader moral. The story illustrates one of the endemic problems of the aerospace industry: that pressures to merge are great but the results are often dire.

Over recent years, of course, companies in many industries have felt no choice but to merge, often unsuccessfully. But in aerospace, both the pressures towards a merger and the failure rate seem higher than average.

The capital required for a new engine or a new airliner is huge: Boeing's new 777 cost some $5bn to develop. The world market for any particular type of aircraft will often support only two or three such development programmes, pushing companies together to meet the cost.

There is often political pressure to combine. Governments have great influence on the industry as the only customers for military orders and sometimes as owners of state airlines. They often try to create national champions, for prestige and security.

The temptations to merge are just as great for companies. Big aerospace projects require close collaboration between component-makers and airframe-assemblers: it often seems best to combine these elements into one corporate structure.

In a technology-driven industry, it is also tempting to imagine synergies between different companies' pools of expertise – either in technology itself or in the management of large, risky projects.

Because aircraft companies are often heavily dependent on a few big programmes, they can find themselves close to collapse when those programmes run out of customers. This provides a steady stream of crisis-hit companies searching for rescuers. And even the healthy ones are attracted to mergers as a means of spreading the risks over a wider range of projects.

All these are reasons why the pressures to merge are particularly strong in the aerospace industry. But experience – not just in Germany – suggests that merged aerospace companies face high barriers to success.

Take British Aerospace, which is what remains of the British industry. Although the company now seems healthy, it was on the verge of collapse as recently as four years ago – it lurched from crisis to crisis after the company was put together by the Labour government in 1977.

One of BAe's investment bankers says that the test of past managers' success was whether they realised that the company had an inherent tendency to run out of cash every few years. Successful finance directors were those who managed to extract more equity from shareholders before the need became too obvious.

Both Dasa and BAe illustrate the pitfalls in wide-ranging aerospace mergers. The first risk is that the merger is merely a formality, a consolidation of financial accounts rather than the creation of an integrated industrial enterprise.

In technology-based companies, the risks of the internal "not-invented-here" syndrome are acute. Individual units within the merged company strive to retain their technological autonomy, fiercely resisting alien ideas and practices. BAe, for example, remained a collection of largely discrete operations (with little sharing of best practice) until the crisis of 1991-92 forced fresh thinking.

McDonnell-Douglas has been a merged company since 1967, but its two arms still largely operate independently, as standalone civil and military companies. Partly because of Dutch government insistence, Dasa was unable to absorb Fokker fully, and the company retained a high degree of autonomy.

The temptation to stay as unintegrated companies is the greater because – capital apart – there have in the past been few economies of scale in the industry. It is hard to share components between programmes, and the skills required to build, say, a fighter aircraft and a regional jet airliner are surprisingly far apart.

Because the principal result of a merger is a larger balance sheet, amalgamations also have an unhealthy side-effect: they raise the stakes, increasing the temptation to bet the company on ever larger projects. And, as both BAe and Dasa found, balance sheet strength can make it easier to ignore the signs of a cash outflow until it is damagingly late.

What are the lessons of this sad history? First, Boeing was perhaps luckier than it realised earlier this month when talks with McDonnell-Douglas about a possible merger broke down. (Boeing is not fully out of the woods: the industry still expects there to be a deal some time in the future.)

Second, the generally held view that the only solution to the European industry's problems is a wide-ranging regional merger into one or two big companies may also be flawed: it risks repeating on a continent-wide scale the debilitating experience of the national mergers of the past.

Third, perhaps there is something to be said for the Airbus approach of gathering independent companies together in a consortium to build a series of aircraft. Its problems may lie in the behaviour of the consortium's participants, the lack of overall control and the financial opaqueness of the legal structure, rather than in the notion of aerospace collaboration.

Still, the pressure towards aerospace mergers remains strong, and may be increasing. The opportunities for scale economies are increasing, for example, as companies invest in giant computer-assisted design and engineering systems.

And from the customers' point of view, there are substantial savings to be made in support and training costs by having only one supplier.

But if mergers are inevitable, it is important to do them properly. That means integrating thoroughly and ruthlessly those parts of the business where there are genuine gains to be made, but not trying to put together business units with little in common.

It means continuing to avoid risk, by sharing it with customers, collaborators and suppliers, rather than assuming that a larger balance sheet can afford a greater burden. It means escaping from the fallacy that two weak companies can be magically transformed into one strong one simply by coming together.

Dasa now knows the pitfalls of merging. It remains to be seen whether it – and the rest of the European aerospace industry – can yet find its way round them.

BOOK REVIEW · **Edward Mortimer**

ISLAM AND THE MYTH OF CONFRONTATION: By Fred Halliday
I.B.Tauris, £12.95 paperback/£35 hardback

Prejudice from within and without

"The Middle East is not unique, except possibly in the content of the myths that are propagated about it, from within and without." That is the message of a new book by Fred Halliday, professor of international relations at the London School of Economics.

The title suggests yet another demolition of the "Huntington thesis", according to which the 20th century clash of ideologies is now being replaced by a "clash of civilisations", with the west squaring up against Islam, or possibly against an alliance of Islam and Confucianism. But Samuel Huntington, author of this thesis, rates only two mentions.

Halliday does reject the thesis, but he does not try to prove that Islam and the west share common interests, that Islam is perfectly compatible with democracy, or anything of the sort. Instead he sets out to demolish the very notion of "Islam" as used in contemporary political discourse. ("Confucianism" is despatched in a single disdainful footnote: "Beyond vague injunctions to obey parents and subordinate women there is nothing in the 'tradition' at all.")

The book is subtitled *Religion and Politics in the Middle East*. So Halliday could be accused of reinforcing the popular identification of Islam with the Middle East, despite the fact that (as he himself points out) most of the world's Moslems live elsewhere, in south and south-east Asia. But that criticism would only reinforce his main point, that "Islam" as an analytical category tends to obscure rather than elucidate the real world.

Halliday switches the emphasis to things the Middle East shares with other parts of the world, especially the third world: the experience of domination and colonisation by developed capitalist countries; interstate boundaries derived from that experience, which cut across previous regional linkages; forms of nationalism which "exalt their specificity and distinct historical origins, while at the same time maintaining and developing economic relations with the metropolitan countries"; recurrent waves of popular revolt against external domination and those who co-operate with it; the use of coercive methods to maintain the rulers' control.

Even the "Islamic revolution" in Iran was, he argues, less peculiarly Islamic, and less traditionally Islamic, than its leaders made out. It followed a similar pattern to other revolutions, and Khomeini's use of Islam departed from tradition at many points. Not even all his vocabulary derives from Islamic sources: there is nothing in the Koran about "Islamic republic", "export of revolution" or "world arrogance"; and the terms he used of imperialism ("bloodthirsty", "world devouring", "great Satan") were ones he had taken from Persian rather than Arabic, or had invented.

Indeed, as Halliday points out, one of the main problems faced by westerners like himself who seek to argue against the idea of Islam as a uniform and unchanging phenomenon is that that view gets so much support from within Moslem societies. There are plenty of Moslems who, rather than refute western stereotypes about "Islam", are eager to confirm them, by rejecting such western values as secularism, democracy, the rule of civil law, equality between men and women, or between Moslems and non-Moslems; by espousing gross racist generalisations about Jews, "the west" or Hindus; and by pledging themselves to a longterm struggle with the West, or an effort to convert the whole world to Islam.

This makes anti-Moslem prejudice harder to deal with than "ordinary" racism. But the effort still has to be made – not least because anti-Moslemism often serves as a cover for more straightforward racism, especially in west European countries with large Moslem populations resulting from recent immigration. Stereotypes do not become valid simply because they are endorsed by some members of the group to which they apply. On the contrary, argues Halliday, it is important to challenge ideas which are "dominant not only in western Europe but also in the Islamic world itself".

That in turn involves him, in his last chapter, in a battle on two fronts: against the orientalists, such as Bernard Lewis, who tend to treat "Islam" or "the lands of Islam" as a single community within which behaviour is determined by religious and linguistic preconceptions; and against the cultural relativists, led by Edward Said, who effectively deny westerners the right to make judgments about non-western cultures. Noting sadly that Said "has been a friend" (while Lewis was a respected teacher) Halliday is none the less firm in asserting his own position: "I retain the now supposedly outmoded and pre-modernist view that there is such a thing as reality, and that it *is* the task of concepts and theories to analyse it . . . That is my tribe, the *Bani Tanwir*, or what might be called the descendants of Enlightenment rationality. And, as with most tribal affiliations, seeing what a dangerous world is outside, I do not intend to forsake it."

In style as well as content those words read like a claim to the mantle of another unrepentant rationalist long associated with LSE: the late Ernest Gellner. Halliday cannot have meant them as such but, come to think of it, his claim would be stronger than most.

·LETTERS TO THE EDITOR·

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Fine a reflection of EU drugs market distortions

From Mr Jan Leschly, Dr T.F.W. McKillop and Sir Richard Sykes.

Sir, On January 11 you published details of a fine to be imposed by the European Commission on the German pharmaceutical company, Bayer ("Bayer group to appeal against fine"). The members of the British Pharma Group – Glaxo Wellcome, SmithKline Beecham and Zeneca – do not wish to comment on the details of the case but rather want to draw attention to the wider issues which surround it.

It is important to realise that the internal market for the pharmaceutical sector is seriously distorted by government intervention. The industry is exposed to free movement of goods but does not benefit from the most fundamental commercial freedom – namely the freedom to set or adjust prices.

In most member states prices are controlled by the government or its agencies and only very rarely can permission be obtained to adjust prices to reflect inflation or currency movements. The increasing price differences between member states which this situation generates are exploited by parallel traders who, in effect, transfer to one member state the price control policies of one or more of the others.

Former commissioner Peter Sutherland has rightly described the pharmaceutical sector as the most spectacular failure of the single market. If the EU is to offer its pharmaceutical industry a stable home base, member states must work with the Commission to remove the untenable combination of government price controls and the free movement of goods. As matters stand the pharmaceutical sector does not enjoy the benefits of a free and fair single market.

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Depressing picture

From Ms Lucy Macdonald.

Sir, In the pages of the latest pricing document of Oftel, the telecoms regulator, investors and participants in the UK telecoms sector can see a depressing future of enforced industrial decline. Have the recent consolidations and continued losses in the cable industry yet to make an impact on Oftel's consciousness?

While consumers may benefit in the short term from an artificially derived and overly harsh price control on British Telecommunications, we fail to see how they will enjoy the return to sub-standard service and under-investment which will follow removal of the incentive for growth and wealth creation in the telecoms industry.

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EU has used every excuse for inaction

From Mr D.M. Harrison.

Sir, Anders Aslund is absolutely right to chastise the EU for "collective parochialism" towards eastern Europe (Personal View, January 23). I recollect putting similar points about EU trade protection into speeches by Jacques Attali at the European Bank for Reconstruction and Development as long ago as 1992, when the prevailing excuse for inaction was the need to ratify Maastricht. Then along came the western European recession, Efta enlargement, this year's inter-governmental conference (an open-ended event) and no doubt in future Emu and further Common Agricultural Policy reform as well.

In short, every possible excuse to put off creating and implementing a policy equal to the scale of events in Europe since the collapse of communism. Hence the extraordinary paradox which Aslund depicts: the largest trading bloc on the planet protecting itself against Ukraine!

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Arms question poses a false dilemma

From Mr Martin Lam.

Sir, It must be dawning on many people that the discussion about decommissioning of arms in Northern Ireland – an objective in principle entirely desirable – poses in practice a false dilemma.

Peace is in the greatest danger if there are no all-party talks. If there are talks after some degree of decommissioning of arms, and if these talks break down, then violence can still start again. Even if all arms had been handed in, (unlikely) terror could still be based on newly acquired arms.

If talks begin without any decommissioning of arms the scenario is hardly different. If the talks lead to an agreement then there is a prospect of peace. If the talks break down violence can recur. Does this not show that what really matters is that there should be inter-party talks, that they should lead to a resolution and that decommissioning is not the determinant?

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Stakeholder proposition at least provides food for thought

From Mr Nick Hanson.

Sir, Barry Riley ("Shareholders gain an edge over stakeholders", January 17) confuses Labour leader Tony Blair's future stakeholder economy with current stateholder economies: France, Germany, Japan. As such, he mistakenly equates a vague but nevertheless forward-looking concept with the long-ago discarded socialist dichotomy – state ownership, subsidies and regulation good; free market bad.

Anyone seeking clarity on this unavoidably amorphous concept would do better to read John Kay's exploration of the inclusive society where commonly held – as opposed to imposed – expectations and values hold sway ("Social life of the markets", January 17). As Kay says: "The UK cannot simply emulate Germany, or Japan, or Switzerland, or Singapore." In the face of fundamental changes driven primarily by technology, the UK needs to redefine the way all the members of its society, whether individuals, companies, or government, live and work together.

Tony Blair's latest vision may be part of the answer, or it may not. But at least it provides food for thought for all those who have a stake in the undeniably new world we are entering.

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Rocky routes to peace

There are no straight lines in the tortured politics of Northern Ireland. So Mr George Mitchell and his colleagues on the international commission on terrorist weapons have not mapped out a simple route to a permanent peace. Nor is it clear that Mr John Major's plan for direct elections to a new constitutional convention represents a way out of the present impasse. The important thing is that all sides now keep talking.

Mr Mitchell has carried out his remit with thoroughness and professionalism. None of the many groups which have made representations to the international body have had cause to question its independence or impartiality. Its carefully weighed recommendations reflect that informed but detached standpoint.

As its starting point, the report recognises that the present, uneasy, ceasefire can be translated into a durable political settlement only on the basis of total and verifiable disarmament by all the paramilitary groups. It demands that the IRA and loyalists paramilitaries offer a public commitment to six "fundamental principles of democracy and non-violence". These include unequivocal pledges to exclusively peaceful methods, to total disarmament, to the denunciation of those using or threatening force and to the ending of so-called punishment beating and killings.

Mr Mitchell and his colleagues suggest that those principles could form the basis for an end to the deadlock over the timing of decommissioning. Their report expresses sympathy with the British government's demand that the IRA decommission some arms before the start of all-party negotiations. But it comes to a firm judgment that neither republican nor loyalist paramilitaries will make such a gesture. Its conclusion is that decommissioning should take place during the course of all-party negotiations.

It is tempting to treat this recommendation as a defeat for Mr Major, who has stressed that advance decommissioning is essential to persuade unionists to join all-party talks. Mr Gerry Adams, the president of Sinn Féin, the IRA's political wing, claimed his position had been vindicated. But that was to miss the point of the six principles.

Rightly, they demand the sort of unequivocal commitment to exclusively peaceful negotiation which Sinn Féin and the IRA have so far been unwilling to offer. The report also rejects the IRA's insistence that arms be destroyed only at the end of all-party talks. Mr Adams' signature on a statement of these principles might well be worth more than an early, but token, surrender of IRA weapons.

Mr Major, however, has seized upon the passage in Mr Mitchell's report which acknowledges that an elected convention in Northern Ireland might provide a forum for all-party talks on a new constitution. Such an assembly is a long-standing demand of Northern Ireland's unionist politicians. Mr David Trimble, the leader of the Ulster Unionists, sees it as an alternative means of winning the confidence of the Protestant majority in the absence of decommissioning. Now Mr Major has promised to pursue the idea as a matter of urgency.

The proposal, however, arouses strong suspicions among nationalists. It rekindles memories of the old Stormont parliament in which the unionist parties ruthlessly exploited their in-built majority. The Irish government is deeply sceptical. And without the participation of the nationalist SDLP and of Sinn Féin, elections would be meaningless. So, as ever, there are no easy answers. But the politicians must keep talking.

Big companies

Present size is no guarantee of future performance. That is one of the implications of the Financial Times survey of the largest companies listed on the world's stock markets, published today. The rankings by market capitalisation, after a period of sustained recovery in industrialised economies as well as radical corporate restructuring, are a revealing snapshot of the latest face of the multinational corporation.

Four sectors dominate the upper reaches of the lists: pharmaceuticals, information technology, energy, and banks. The future strategy and rates of return for companies in all these industries are highly uncertain.

In pharmaceuticals, recent big mergers were inspired by questionable theories – such as the idea that greater size would improve returns on research and development spending. Despite investor excitement about information technology last year, many telecommunications companies seem destined collectively to earn meagre profits on their large investments. Incumbents in the most regulated markets seem likely to fare best; that must be the hope for the world's largest company, Nippon Telegraph & Telegraph.

In oil and gas, growing environmental concerns and the search for new supplies means that the reliability and geographical distribution of profits may change radically. In the financial sector, which makes up a fifth of the top 100, the presence of Japanese banks is striking, despite low profitability their bad debts makes their future – even in some cases survival – especially unclear.

Despite the challenges facing these industries, the renewed dominance of US companies – half of the world's top 100 – shows that the ability to restructure and anticipate trends reaps rewards. Global competitiveness of companies such as General Electric (second largest worldwide) or AT&T (fourth) has improved sharply in the last five years, while Coca-Cola (sixth) has achieved steady growth over many years. Size need not lead to complacency, particularly, some would say, where outside shareholders can make their presence felt.

A missed chance

Sometimes fortune favours reformers. But they may then refuse to exploit their luck. World grain prices are now higher than those set by the common agricultural policy. This has given the European Union a golden opportunity to wean farmers off their dependence on the CAP. Foolishly, it has refused the gift.

The US administration's attitude seems different. It has cited the recent surge in world grain prices as a justification for restructuring its farm supports. Not so Mr Franz Fischler, the European Union's agriculture commissioner. What he has done, instead, is to employ a 1967 statute to impose taxes on grain exports and so curb the rise in internal prices. In justification, he pleads a moral and legal commitment to maintain stable prices in the EU, both for animal feeds – since much grain goes to feeding livestock – and consumers.

This approach can make sense only if the EU is determined to preserve its bafflingly complex system of market interventions, forever. Otherwise, present policies seem both absurd and counterproductive.

Farm prices are now being kept up by restrictions on planting, while being held down by export taxes; farm incomes are receiving compensation for reductions in internal prices, while world markets are trying to put those prices up; and export taxes are preventing EU farmers from benefitting from high world prices, while raising them further. Mr Fischler often stresses the need to make the CAP more responsive to market forces. But how can he hope to convince farmers of the benefits if they are denied the possible gains? Only in the mad, mad world of the CAP can all this make sense.

The only plausible argument for present policy is that the current global shortage of stocks could soon be replaced by a surplus. The US administration believes the grain market is undergoing fundamental change, partly because of rapid economic growth in Asia and partly because of the farm deal in the Uruguay round. The view seems plausible, but might be mistaken. US officials made similar comments at the end of the 1970's which was followed by a decade of abundance, low prices and EU grain mountains.

Nevertheless, the opportunity could have been taken to move the CAP closer to the market. Instead of export taxes, the EU could have released acreage restrictions or lowered compensation payments. The first would have stimulated a supply response; the second would have made compensation more closely dependent on the level of market prices. Either or, better, both would have signalled a more market-oriented approach. Instead, the EU has reinforced the supposition that it is hopelessly addicted to complex and confusing market manipulation.

The prospect of riches

Changes in Argentina's economic and political climate are encouraging exploration by international mining groups, says **David Pilling**

Argentina may be sitting on a gold mine. Then again, it may be endowed with deep veins of silver, copper, nickel or zinc. The truth is that Argentines, accustomed to quick and handsome returns from producing beef and wheat on the rich agricultural land of the pampas, have never really bothered to look.

Until now, that is. Following the recent discovery of several substantial mineral deposits, mainly in the mountainous west of the country, Argentina has become the scene of a big exploration effort by more than 50 international mining groups.

Geologists are predicting that the country could become the next big mining story. "I think Argentina has got very high potential," says Mrs Maria Siedlarevvitsch, general manager of El Dorado, one of 20 Canadian companies prospecting in the country.

Argentina's government mining secretariat estimates that revenue from mining exports should increase more than tenfold to $1bn annually by 2000. If mining groups find the big deposits that some are predicting, this figure could prove conservative.

The Andean mountain range, until now virtually unexplored on the Argentine side, straddles 3,500km of the border with Chile, a country with some of the world's biggest copper and gold deposits. Although there are some differences in rock type, Ms Siedlarevvitsch believes big discoveries are waiting to be made on the Argentine side.

El Dorado has already discovered what it believes may be a huge gold deposit near the Chilean border in the north-western province of Catamarca. That deposit, which could be worth hundreds of millions of dollars, was found after an initial investment of less than $4m – piffling by industry standards.

The potential for very high returns has brought many "junior" mining companies, together with some much larger groups from Australia and Canada, flocking to Argentina. They are hoping to emulate International Musto, a small Canadian group, which last year sold its 50 per cent stake in the Bajo de la Alumbrera copper-gold deposit to a joint venture between Rio Algom of Canada and North of Australia for C$510m ($373.8m). Musto invested a total of just $9m in the project.

MIM Holdings of Australia owns the other 50 per cent of Alumbrera, which is the biggest mining project in Argentina's history and will cost $760m to start up. Alumbrera is expected to produce 180,000 tonnes of copper and 640,000 troy ounces of gold annually for 19 years, beginning in 1997.

However, industry insiders are suggesting that the Agua Rica copper-gold deposit, discovered only 35km from Alumbrera, could be bigger still. Agua Rica is owned 70 per cent by BHP Minerals of Australia and 30 per cent by Northern Orion, another small Canadian company.

Add to these a large lithium deposit, owned by FMC Lithco of the US, and the Cerro Vanguardia gold deposit in Patagonia, jointly owned by South Africa's Anglo American and Argentina's Perez Companc, and one has the makings of a mining boom.

The burst of interest has been encouraged by the change in Argentina's economic direction since the election of Mr Carlos Menem as president in 1989. The move to a free-market economy has opened the door to foreign mining companies, which had in effect been barred from exploiting non-renewable resources by half a century of nationalistic policies. The ending of decades of rampant inflation, which made speculation more profitable than long-term investments, has also helped.

Meanwhile, the country's fiscal regime and property laws have been changed to make them more favourable to foreign mining companies. Such companies are now assured fixed tax rates for 30 years, long enough to see most projects to their conclusion. These taxes are levied at 30 per cent of profits – much lower than previous rates and the same as for domestic groups.

Foreign companies are also exempt from value added tax of 18 per cent on all capital goods imports, and are subject to less exacting environmental standards than those prevailing in most developed countries. Finally, Argentine provinces, which under the federal constitution own all mining reserves within their borders, cannot charge royalties and rental fees above a specified level.

"The fiscal and legal regimes are excellent," says Mr Enrique Loncán, president of Canada's Barrick Exploraciones de Argentina. "The problem is the procedure, which makes accession to mining property subject to the provinces. Some of these are less efficient than others."

Many of Argentina's Andean provinces, where the big deposits are likely to be found, are among the poorest in the country. Some do not even have computers on which to plot the co-ordinates of reserves, making watertight claims to properties harder to secure.

Neither do most have the necessary expertise to get a mining industry off the ground. Unlike Chile and Peru, which have mining traditions stretching back to Inca times, Argentina has no mining culture. "Many of the provinces are slow and bureaucratic. Their officials wouldn't know a world-class mine if they saw one," complains one executive.

They also suffer from a lack of infrastructure. Roads and railway lines are often dilapidated, while ports are on the other side of the country on the Atlantic coast.

Mining companies are also still subject to the whims of individual provinces. For example, the Alumbrera project became entangled in a long dispute with Catamarca's authorities over what Alumbrera's owners considered to be unacceptably high freight charges. As a result, Alumbrera plans to build a 230km mineral conveyor to neighbouring Tucumán province, where the privatised railway is judged by the company to be cheaper and more reliable.

In spite of such stumbling blocks, the provinces seem to have come to the conclusion that they have little to lose from co-operating with the mining industry. Mr Jorge Bazterrica, commercial manager at MIM, says Alumbrera's estimated annual tax bill of $50m will double Catamarca's locally generated revenue.

"Instead of merely allowing private investment, provinces are now actively encouraging it," says Mr Bill Perkins, senior commercial officer at the Canadian embassy in Buenos Aires. Mr Loncán of Barrick believes the country's present high expectations are unlikely to be dashed. "The most dynamic sector in Argentina in the next 10 years will be mining," he predicts.

A favourite destination

North American mining companies have been complaining for years that there is little point in exploring in Canada or the US because it is exceptionally difficult to win approval for a new mine. Large areas of north America are already deemed too environmentally sensitive for exploration. Obtaining permits for a new mine in north America now takes at least six years when it used to take three.

Australian mining companies also complain that similar constraints have been driving them offshore in search of expansion. The result is an enthusiastic group of companies ready to look at Latin America.

Last year big Canadian and US mining groups allocated more cash for exploration in Latin America than for domestic exploration, according to Metals Economics Group, an independent Canadian researcher.

The group estimates that the international mining industry spent about $3.55bn on global exploration for non-ferrous metals last year, up 21 per cent from 1994. Although the statistics are limited, the trends they show are backed up by anecdotal evidence.

Latin America was the top region for exploration by international mining companies in the past two years, with mining companies budgeted to spend $784.7m in 1995, up from $544m in 1994, while Australia maintained second place, with spending rising to $518.6m from $431m.

Within Latin America, Argentina's attractions were increasingly recognised and the analysis says mining companies allocated $56.1m for exploration there last year – more than double the previous year's $28m.

However, this was well behind the $177.6m spent in Chile, the mining industry's favourite Latin American venue. Neither did Argentina's performance match that of Peru, another country that has only recently made changes to attract international miners. Exploration spending in Peru jumped to $121m last year from $42m in 1994.

Argentina can take heart, however, from a recent global poll of mining analysts. It was ranked first out of 140 countries as "the developing country offering the most mineral resource opportunities".

Kenneth Gooding

· OBSERVER ·

Nodding off at KB

■ Just when relations between Britain and Malaysia were apparently on the mend, Kleinwort Benson, the London merchant bank, seems to have put its foot in it. It has described the economic policies fuelling Malaysia's high-powered growth as "Noddynomics".

The phrase cropped up in a report criticising Malaysia for binding itself to high economic growth and playing down its growing problem of a high current account deficit. The phrase appears to have been coined by a strategist based in London who was not aware of Malaysian sensitivities. While the comments on the deficit are hardly new, it was the use of the word "Noddynomics" – a reference to Noddy, a character in British author Enid Blyton's children's books – that caused a bit of a stink.

KB, which has an office in Kuala Lumpur, has withdrawn the report, apologised for any offence caused, and hopes the matter is closed. The moral of the tale is simple. Whatever you may think about Malaysia, do not put it in writing.

Haiti figure

■ Germany's earnest diplomats rarely put a foot wrong. But Gunther Dahlhoff, until recently ambassador to Haiti, has suffered the indignity of being relieved of his duties and recalled to Bonn. The problem: his rather colourful views on the island's explosive population growth.

Four members of the Bundestag, the lower house of the German parliament, recently stopped by Haiti to investigate development projects. "Haitian women always want it and the men are always willing," Dahlhoff helpfully summed up the situation for the benefit of his visitors.

A diplomat of 33 years' experience, Dahlhoff had only been in Haiti since last summer. He had enjoyed a beautiful view over the capital, Port-au-Prince – which he will be exchanging for a window at the foreign ministry that may well not even overlook the murky old Rhine.

General tipple

■ While the Smirnov family is rowing over who really invented Smirnoff vodka, General Mikhail Kalashnikov has no such worries. The man who invented the famous AK-47 assault rifle has stuck his name on a brand new type of vodka.

The recipe for "Kalashnikov" vodka is based on water drawn from the mountainous Altay region where the general was born 76 years ago. It will be exported to Poland and Germany, and will also be available in the Moscow region. Unlike the Kalashnikov rifles, favourite weapon of the world's guerrilla fighters, the new vodka will be made to order and produced in small batches.

Nevertheless, it still packs formidable firepower.

Not so haute

■ Just as all eyes were focused on domestic designers' extravaganzas on the catwalk, France's defence minister Charles Millon let slip he was intending to buy more than half a million new military uniforms from abroad – principally Spain, Germany and Belgium.

Millon is taking some flak for shelling out FFr60m in this way, particularly in the light of the parlous state of the economy.

So why are the top military brass unimpressed with the home product?

Nothing to do, surely, with the prohibitive cost, or the phenomenal impracticality, of French clothing?

Ruling the waves

■ Whatever happened to the Spanish Armada?

The much-feared invasion of western UK waters by Spanish fishermen has so far failed to materialise. Not a single trawler has been sighted since the "Irish Box" waters were legally opened to the Spaniards on January 1 – against furious protests from the British fishing industry.

Earlier this week, Tony Baldry, UK fisheries minister, boarded HMS Alderney, the fishery protection vessel, and went to check that they were not hiding over the horizon. Still no sign of them. "There is no doubt that at some stage Spanish vessels will come into the UK side of the Box to fish," he declared hopefully. And when they do Baldry is counting on the Royal Navy to rule the waves. "It would be an extremely foolish Spanish skipper who deliberately tried to break the rules," he warned.

Perhaps the Spaniards have been frightened off by Baldry's sabre rattling talk. Then again it may just be too rough to fish. Several people on board Alderney returned rather seasick.

Yates' mates

■ An Irish workman applied for a job on a building site. When he got to the head of the queue, the foreman had bad news for him. "You're too late, Paddy. And anyway I want intelligent workers."

"I am that," came the reply.

"Well now, let's put you to a little test. What's the difference between a girder and a joist?"

"That's simple", the Irishman replied. "Goethe wrote Faust, and Joyce wrote Ulysses."

The Financial Times

100 years ago

The Jameson incident

Johannesburg: News came that Dr. Jameson, with a force of some 800 men armed with Maxims and other quick-firing guns, had crossed the Bechuanaland border into the Transvaal and was making rapidly for Johannesburg. To the majority of people the intelligence appeared to be a canard, but it was true notwithstanding. When the following day came but brought no Dr. Jameson with it, hundreds of men, all wearing a look of deep anxiety, proceeded to the Gold Fields office – at present the domicile of the Provisional Government – asking for news. They were told that the rumours of Jameson's surrender were unfounded, and that they could not be men to believe such a report. But almost while this statement was being made, the "Star" appeared with a most doleful account of Jameson's discomfiture and capture.

50 years ago

Mexico Tramways blames Govt.

The Mexico Tramways Corporation has issued a statement concerning the proposed confiscation of its properties by the Mexican Government. "The present situation," it is stated, "is entirely due to the persistent refusal of the Government to allow the company to charge the minimum fare provided for in its concessions."

FINANCIAL TIMES

Thursday January 25 1996

Report urges talks before IRA disarmament

Major pins Ulster peace hopes on new assembly

By John Kampfner in London and John Murray Brown in Belfast

Mr John Major, the British prime minister, yesterday pinned his Northern Ireland strategy on elections to a constitutional convention after a three-man international body dismissed the British demand that the IRA give up some of its arms.

In a gamble to wrest back the initiative, the prime minister told MPs the conditions laid down by former US senator Mr George Mitchell would not persuade unionists to enter talks with Sinn Féin, the IRA's political wing.

The report on decommissioning paramilitary weapons, launched by Mr Mitchell and his Canadian and Finnish colleagues in Belfast, was welcomed by the British and Irish governments. Each of the province's main political parties extracted the points favourable to its position.

Mr Mitchell suggested there was no point insisting on a physical handover of weapons by the paramilitaries ahead of all-party negotiations, as they would not abide by the demand. "That is the reality with which all concerned must deal," the report said. Instead, the parties should commit themselves to a phased disarmament in parallel with talks, and to abide by six principles setting out their democratic credentials.

These included an end to so-called punishment beatings by the paramilitaries, a commitment to non-violent means and an agreement to total and verifiable disarmament. If honoured by Sinn Féin, these would amount to a considerable step forward.

The report dealt in detail with the practicalities of decommissioning. This, it said, should be carried out under international supervision. Those handing in weapons should receive an amnesty from prosecution.

While praising Mr Mitchell, Mr Major told the Commons the report had not solved the fundamental problem of getting talks started. "It is now apparent that there may well be another way forward," he said.

Nationalists had to accept the original condition on decommissioning or the idea of elections to a new convention or assembly, Mr Major said. The plan, advocated by unionists, is to create a forum in which all-party negotiations could take place.

Mr Major said he and Mr John Bruton, his Irish counterpart, would hold a follow-up summit by mid-February. He was ready to go ahead with legislation on elections "as soon as may be practicable".

The announcement drew criticism from Mr John Hume, leader of the Social Democratic and Labour party, who accused Mr Major of "buying" unionist votes to shore up his parliamentary majority. Mr Gerry Adams, Sinn Féin president, said Mr Major was replacing one precondition with another.

The reaction in Dublin was more guarded. Mr Dick Spring, the deputy prime minister, who had warned the British away from an assembly proposal, said new elections needed the support of all Northern Ireland's parties.

Background, Page 7
Editorial comment, Page 11

Weak US output renews rate cut speculation

By Michael Prowse in Washington

Unexpectedly weak figures for US industrial production yesterday raised fresh doubts about the economy's momentum and prompted renewed speculation about the possibility of an interest rate cut next week.

The Federal Reserve said industrial output had edged up 0.1 per cent last month – about a third of the increase expected in financial markets. Production would have been flat but for a temporary boost from the end of the Boeing strike.

On Wall Street, bonds rose on hopes that the Fed would react to signs of economic weakness by cutting short-term interest rates at next week's policy meeting. Markets also took heart from hints by Republican leaders that a "down payment" on deficit reduction might be possible in the absence of a full agreement on a balanced budget.

By early afternoon the benchmark 30-year Treasury bond was up $\frac{11}{32}$ to yield 6.04%. The Dow Jones Industrial Average was up 41.54 at 5,233.81, reflecting better than expected corporate earnings as well as the bond market's optimism.

The latest figures appeared to confirm a sharp deterioration in the prospects of many US manufacturing companies. The annualised growth of industrial production has dropped from a peak of about 7 per cent in 1994 to only 1 per cent last month. The rate of capacity utilisation in manufacturing also fell further last month, reducing upward pressure on prices.

Separate data from the Commerce Department indicated the housing market was also under strain. New home sales fell 2.1 per cent in November to their lowest level in seven months. It was the fourth consecutive monthly decline.

"The Fed should and, we believe, will ease," economists at Merrill Lynch in New York said yesterday.

But the general view was more cautious. The Fed reacted to signs of sluggish growth last month by cutting short-term interest rates by a quarter point to 5.5 per cent. Many economists believe it will be reluctant to ease policy again without evidence of tangible progress in the budget talks.

Germans agree deal to cut unemployment and spending

By Judy Dempsey in Bonn and Wolfgang Münchau in Frankfurt

The German government, unions and employers yesterday pledged themselves to a programme aimed at cutting public spending and reducing unemployment by 2m over the next five years.

The unions and government hailed the agreement, forged during talks with Chancellor Helmut Kohl on Tuesday night, as extending Germany's postwar consensus tradition to resolve the economy's current problems of high unemployment and sluggish growth.

The unemployment rate is 9.9 per cent and expected to reach 10 per cent – 4m people out of work – in the coming months. The government is forecasting growth of 1.5 per cent this year after revising downwards previous forecasts of 2.5 and 3 per cent.

The response from industry was less enthusiastic. Mr Hans-Olaf Henkel, president of the federation of industry, and Mr Herbert Späth, president of the trades and crafts association, said the deal was "the smallest common denominator", implying that it did not tackle the heavy social insurance costs carried by employers.

The agreement was the culmination of a union campaign sparked off in November by a proposal by IG Metall, the steel and engineering union, that unions deliver wage restraint from this year in return for the creation of 300,000 jobs by 1998.

The accord envisages a programme of cuts to reduce public spending's share of gross domestic product from 50 to 40 per cent. But it is vague on details on this and the employment measures – they are due to be worked out in more tripartite talks next month and in April.

Both sides have agreed on more flexibility in the workplace. For example, unions have conceded that employers will give time off in lieu for extra hours worked, rather than pay overtime, to help encourage creation of more jobs.

"We have accepted this principle now," said Mr Dieter Schulte, president of the federation of trade unions (DGB).

In addition, people who refuse to take jobs offered by state employment offices will have unemployment assistance reduced by 25 per cent. But, at the talks, the unions prevented Mr Norbert Blüm, social affairs minister, from cutting unemployment payments by 5 per cent each year.

The most controversial issues raised – reducing employers' contributions to the social security system, tax reform and an overhaul of the welfare system – were not broached.

They may feature in the "action programme" to be unveiled by the government next Tuesday, along with its annual economics report.

Employers' resistance puzzles Japanese, Page 6; See Lex

Giscard calls for flexible interpretation of Emu criteria

Continued from Page 1

as helpful. "But his [Giscard's] comments on possible weakening of the criteria are not the pure German position." Mr Giscard's interpretation is at odds with Mr Theo Waigel, the German finance minister, who has called for a "stability pact" to enforce fiscal discipline among Emu participants. Mr Waigel has said that deficits should be around 1 per cent of GDP on average, with 3 per cent the norm for the bottom of the cycle. However, as worries about unemployment and a possible recession have grown, some leaders are voicing concern about the deflationary consequences of monetary policy and budget retrenchment, especially after Germany unexpectedly revealed this month it registered a 2.6 per cent budget deficit in 1995.

Mr Jean-Luc Dehaene, Belgium's prime minister, warned against the risks of "monetary overkill" and "competitive disinflation" in a speech last Monday.

His assertion that Emu was, in the end, a political project foreshadowed Mr Giscard's plea for a flexible interpretation of the treaty. The former French president said a 1 per cent reduction in growth in France would result in FFr40bn ($8bn) in lost tax revenues and a 0.5 per cent increase in the budget deficit.

THE LEX COLUMN

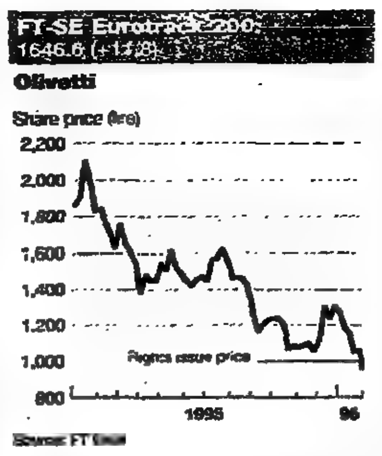
Apple of Sun's Eye

Sun Microsystems' interest in buying Apple Computer raises the question: how much of Apple is worth salvaging? Certainly not the whole caboodle. Apple's core personal computer business is facing terminal decline as a result of competition from PCs using Microsoft's Windows operating software. With only 10 per cent of the market, Apple has neither the economies of scale to cut costs nor the market weight to retain the loyalty of applications developers. Losses and management turmoil are just symptoms of the underlying problems.

What then has captured Sun's interest? Presumably the fact that Apple could strengthen its position on the Internet. Sun's programming language, Java, is rapidly establishing itself throughout the World Wide Web. Sun is also the main supplier of "servers", big computers that lie at the heart of the Internet. But it has little presence supplying hardware or software to allow consumers to browse the Web. Apple might remedy that weakness. It would, for example, have the expertise to design cheap, stripped-down personal computers dedicated to surfing the Internet. In buying Apple, Sun would also obtain a powerful brand name and a distribution network. Both would be valuable if it wished to build a presence in the consumer end of Internet computing.

Apple may not be rotten to the core, but if Sun moved in it would have to cut away huge chunks. The risk is that the management task would be so large that it would take its eye off the fast-moving industry and slip.

FT-SE Eurotrack 200: 1646.6 (+12.8)



Germany

Yesterday's pledge by the German government, trade unions and employers to halve unemployment by 2000 is full of good intentions. Like any piece of consensus politics, however, it is short on specific measures.

In theory, the accord tackles three central problems facing Germany: high labour and social costs, high taxes and a hugely over-regulated economy. The unions have agreed to restrain wage claims in return for a promise from employers to safeguard jobs by cutting overtime, increasing flexible working hours and taking on more part-timers. The government, for its part, plans to cut red tape and reduce public spending to below 40 per cent of gross domestic product. The initiative contains some good ideas, such as relaxing strict rules on how many employees can be on short-term contracts. But for this deal to have much impact, there will need to be bigger concessions from all sides. The government has so far shied away from binding commitments to cut taxes or phase out early retirement schemes which cost the state DM66bn last year. The IG Metall engineering union is clinging to a two-year pay deal which will raise wage costs by 5 per cent this year – twice the rate of inflation. As it stands, employers are likely to take advantage of any cost reductions and deregulation to boost productivity, and worry about creating jobs later. That has positive implications for corporate profits and therefore German shares. But it will do little to solve Germany's unemployment problem.

W H Smith

W H Smith is in an enviable position. It has been branded the stores sector's next great recovery story; so, no matter how bad things get, it is merely deemed to be underlining the potential for improvement. Its shares were therefore unmoved by yesterday's dismal figures.

Such optimism looks misplaced. Do-It-All has eaten up most of the May 1994 trading provisions that were to help it return to profits this year, yet losses increased. Margins are suffering in the core W H Smith stores, as it reacts to increased competition from the supermarkets. The management has been slow to take the drastic action required and it has shown an alarming ability to find banana skins, such as the warehousing problems revealed yesterday.

Moreover, recovery could come slowly. Of the £20m of so-called extra costs this year, increased expenditure on advertising and redundancies may remain a feature of future years. Indeed, Mr Bill Cockburn, the new broom, looks set to announce further restructuring provisions with his strategic review in May.

Assuming some benefits from the recent shake-up, profits should rebound to around £105m in the year to June 1997, leaving the shares on a 20 per cent premium to the market. This looks too steep. Sears has admirably demonstrated the difficulties of turning around a diverse retail business. Investors should wait to see Mr Cockburn's detailed recovery plans before giving him the benefit of the doubt.

Olivetti

Olivetti shareholders should be spitting blood. Only last month, they were induced to stump up L2,257bn in new equity. Now it turns out that losses at the computer and telecoms group last year are likely to be worse than investors were led to believe at the time of the rights issue. Olivetti says the full picture emerged only after the rights issue was complete, but it is hard to believe the company had no inkling that troubles were developing earlier. Olivetti also denies leaking details of the profits plunge to analysts, despite the fact that mysteriously accurate profits downgrades started appearing last week. The latest rights issue was supposed to mark an end to Olivetti's record of failing to deliver on promises. Unfortunately, the credibility gap remains.

Grundig

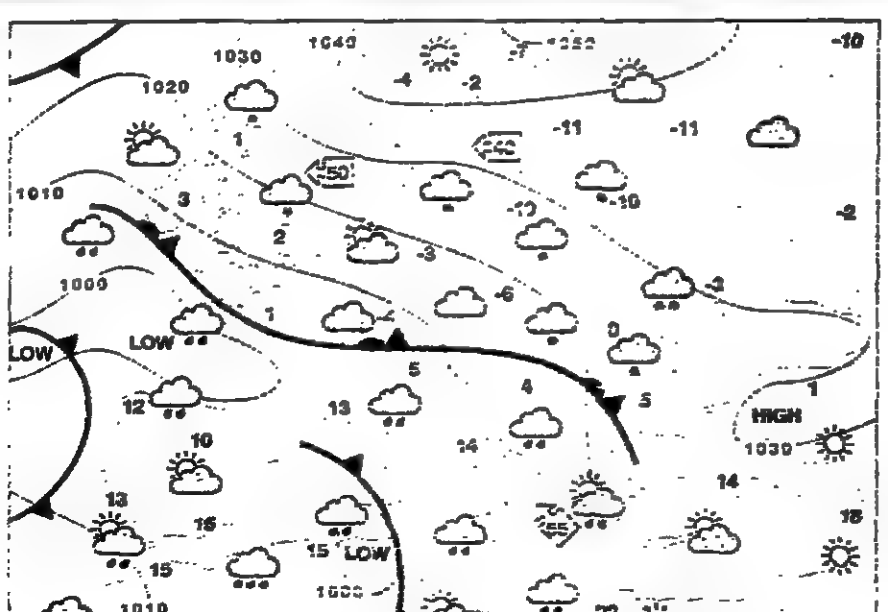
Will the Dutch get their revenge for Daimler-Benz's decision to pull the plug on Fokker? Grundig could prove the victim. The German consumer electronics group owned by Philips of the Netherlands lost around DM500m last year, according to "unauthorised" comments by executives. Philips would probably like to close Grundig's high-cost German factories and shift production to cheaper locations, but is aware that such a savage cutback would be politically explosive in Germany. Daimler's Fokker decision, however, could make such a move easier. The German government could hardly argue that Philips was being unfair.

Additional Lex comment on UK building societies, Page 18

FT WEATHER GUIDE

Europe today

An easterly air flow between a strong high pressure area over Scandinavia and low pressure areas west of France will result in chilly conditions across Russia, Poland, Germany and towards the Benelux. It will be bitterly cold with maximum temperatures between -5C and -10C. England and Scotland will be cold and blustery with snow showers. A frontal zone will produce cloud and rain in south-west France and the Pyrenees. Low pressure will bring rain to Portugal, the Balearics, the south coast of France, Italy and the Balkans. The Baltic states and southern Scandinavia will be cloudy with snow showers and strong easterly winds.



Five-day forecast

The Mediterranean will be unsettled with rain in Spain, southern France, Italy and the Balkans. By Friday, milder air will spread northward from central Europe. Most of the continent will be cloudy with patchy snow or sleet. Temperatures will remain below freezing throughout northern Europe.

TODAY'S TEMPERATURES

Maximum Celsius

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 25 1996

IN BRIEF

Incentive parts with Hasselblad

Sweden's Wallenberg empire parted company with one of its most prestigious brands when its Incentive holding company sold Hasselblad, the specialist camera maker, for SKr600m ($87.5m) to UBS Capital, a Netherlands-based investment subsidiary of Union Bank of Switzerland; the British venture capital group CINVen; and Hasselblad's management. Page 14

Fokker shares halve as trading resumes
Fokker's shares lost nearly half their value as trading resumed after a two-day suspension, giving investors their first chance to react to news of the Dutch aircraft maker's dire financial straits and its filing for protection from creditors. Page 14; World Stock Markets, Back Page

Olivetti's shares slip after news of loss
Whenever Olivetti seems to have turned the corner, it reveals another nasty surprise. Last Tuesday's announcement of bigger than expected 1995 losses was a case in point. The Italian computer group's shares slid 6.3 per cent to L993 as the market digested the unpalatable news. Page 14

J&J beats forecasts for final quarter
Shares of Johnson & Johnson, the pharmaceutical and consumer products group, jumped $3⅜ to $91 yesterday when it reported net income for the final three months up from $378m to $465m, with earnings per share ahead from 59 cents to 72 cents, beating forecasts of about 68 cents. Page 15

Buy-back helps Du Pont weather slowdown
Du Pont, the US chemicals group, weathered the slowdown in the world chemicals cycle, with underlying profits up about 15 per cent in the final quarter. Net income, depressed by the interest costs of Du Pont's $8.8bn share buy-back last April, was up 10 per cent at $710m. Page 16

Bausch & Lomb to restate results
Bausch & Lomb, the troubled US optical goods company under investigation for alleged accounting irregularities, yesterday said it was restating its results for 1994 and 1993 "in an effort to resolve continuing uncertainties as to past matters". Page 16

HK exchange warns on Hopewell warrants
A rush of covered call warrants on Hopewell Holdings has prompted the Hong Kong stock exchange to call a moratorium on any further issues on either the infrastructure company or its subsidiary, Consolidated Electric Power Asia. Page 17

Warning deepens gloom at UK retailer
WH Smith, the UK retailer, issued its second profits warning in less than a year as it unveiled a strategic review aimed at reviving its under-performing businesses. Page 18

Japanese mills end coke price system
The big Japanese steel mills, led by Nippon Steel, have embarked on a revolution, dismantling the uniform pricing system for their coking coal purchases, notably for tonnages from Australia and Canada. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Vitans	576	+	12
Asko	810	+	20
BMW	827.5	+	22.5
KAG Col pr	910	+	25
Porsche	820	+	12.5
Falls			
Aachen Mch Rg	1035	−	15
NEW YORK ($)			
Rises			
James Fnl	30¾	+	2¼
Helen Curtis	65⅝	+	12¾
Micron Tech	35⅛	+	3⅛
Falls			
Jameson HF	21⅞	−	3
Jen Grp	17	−	4¼
Xerox	125¼	−	16¼
LONDON (Pence)			
Rises			
Cowthorpe	405	+	21
r Biotech	2168	+	158
Granada	707	+	29
Standard Chtd	862½	+	43½
Superscape VR	420	+	30
Falls			
Safeway	250	−	6
TORONTO (C$)			
Rises			
Learnet Com	20	+	2½
JG Res Inc	3⅝	+	1⅛
Janstreo	7⅞	+	1⅛
Falls			
nb Util	11½	−	⅜
d Reserve	3⅝	−	¼
Silkey SW	25	−	3
PARIS (FFr)			
Rises			
Saucin Vichy	4300	+	220
Immob Marseil	5550	+	250
Sda Rsegnl	1595	+	107
Falls			
Fromgries Bel	4590	−	135
Iod Tmspt	961	−	39
Taittinger	1140	−	60
TOKYO (Yen)			
Rises			
Fuji Spinning	500	+	35
Kikkoman	880	+	55
M'bishi Steel	599	+	38
Nippon Signal	822	+	42
Falls			
Aoyama Tradg	3200	−	100
Koito Manf	773	−	20
HONG KONG (HK$)			
Rises			
ASM Pacific	7.4	+	0.8
Florens Grp	8.25	+	0.33
Peace Hill	2.65	+	0.82
Falls			
HK & S Hotels	12.05	−	0.65
Henderson Inv	7.2	−	0.25
Shanghai Gwth	4.75	−	0.25
BANGKOK (Baht)			
Rises			
Thai Danu Bnk	141.0	+	12.0
Thai Grd Chot	26.5	+	2.25
Utd Flour	48.25	+	4.25
Falls			
Compass East	127.0	−	9.0
Prop Perfect	152.0	−	8.0
Thai Toray	80.5	−	6.0

New York and Toronto prices at 12.30pm.

Grundig losses expected to be DM500m

By Wolfgang Münchau in Frankfurt

Grundig, the German consumer electronics group, is to report a net 1995 loss of nearly DM500m ($347m) because of falling prices, the strong D-Mark, restructuring provisions and commercial misjudgments, according to leaked comments from senior Grundig directors.

The company's difficulties follow several years of losses – its net deficit was DM127m in 1994 – and may prompt Philips, the Dutch consumer electronics group and Grundig's parent company, to instigate further job cuts and restructuring measures and perhaps even to sell its German subsidiary.

Grundig has pruned its workforce from 40,000 in 1979 to less than 12,000 at the end of last year.

The company confirmed yesterday that its supervisory board would meet on February 5, after which it would announce the "measures" it intends to take.

Grundig's situation will serve as another test of German-Dutch relations, which were strained this week when Daimler-Benz decided to end financial support for Fokker, forcing its Dutch regional aircraft subsidiary to seek protection from creditors.

News of Grundig's losses came in an article by VWD, the German economics news agency. It included comments from Mr Pieter van der Wal, who will take over as chairman of Grundig next month, as well as from two board directors.

Grundig said the comments had been confidential and their release had not been "authorised". It did not deny the content.

Mr van der Wal is reported to have said: "It is not my job to sell Grundig." He acknowledged, however, that Grundig faced "a certain impatience" and "pressure" from Philips.

Mr Hans Burkhard, Grundig board member in charge of European sales, is quoted as saying a "too optimistic assessment of the whole market" had led to "planning mistakes".

According to the report, Grundig achieved its sales target in the first quarter, but turnover fell behind budget from May, resulting in a year-end shortfall of DM500m. Including other revenues, the resulting operating loss was about DM300m. There were further restructuring charges of DM200m, making up the net loss of DM500m.

The report cited a 5 to 10 per cent fall in prices, the D-Mark exchange rate, and increased competition in the consumer electronics market as reasons for last year's loss.

Lex, Page 12

Forte seeks to buy back hotels from Granada

By Scheherazade Daneshkhu, Clay Harris and David Blackwell

Only one day after losing the company that bears his name, Sir Rocco Forte yesterday told the new owner he wanted to buy half of it back.

Sir Rocco, chairman of Forte, the UK's largest hotel group, used his first meeting with Mr Gerry Robinson, chief executive of Granada Group, the UK leisure company, after a fiercely disputed £3.9bn ($5.9bn) takeover battle, to propose a management buy-out of 167 Forte hotels which have a book value of £2.5bn.

He wants to buy Forte's 18 Exclusive hotels, including the George V in Paris, the Grosvenor House in London and the Plaza Athénée in New York; 85 Méridien hotels; 52 Heritage hotels, including the Compleat Angler in Marlow, Bucks, and 12 other London hotels such as the Cumberland at Marble Arch.

Yesterday, Granada noted that it had declared its interest only in disposing of the Exclusive and Méridien hotels. It added: "In parallel with its discussions with other interested parties, Granada would be happy to consider any proposal that Sir Rocco may wish to make concerning these particular brands once he and his team are in a position to put forward a serious offer."

Sir Rocco is understood to have held initial discussions on the feasibility of financing a buy-out. His advisers include SBC Warburg, Morgan Stanley, J. P. Morgan and UBS.

Mr Charles Allen, Granada's chief operating officer, said he was delighted Sir Rocco had registered an interest. "They will be part of the process – but we will be discussing the hotels with a number of players."

Mr Allen said there had been no discussions on the price – "it was more a discussion in principle". The issue of the Forte brand name had not been raised.

Mr Robinson's meeting with Sir Rocco at Forte's London headquarters lasted for 1½ hours. It was described by the Forte camp as "professionally constructive".

Granada wants to sell the hotels in a block to avoid tax liability. After yesterday's annual general meeting, Mr Robinson said there were four serious trade candidates but the disposal also "could be done as a financial sale" to a buyer, which could then sell off the hotels piecemeal.

Accor, France's largest hotels group, confirmed it was interested in bidding for the Méridien hotels. Accor lost out to Forte which paid FFr1.82bn ($364m) to acquire the international hotel chain from Air France in 1994. Accor said: "Méridien would be of interest to us because it makes a perfect match with our Sofitel four-star brand."

Accept or sell, Page 18

Crédit Foncier seeks large shareholder

By Andrew Jack in Paris

Crédit Foncier de France, the specialist property institution, is seeking a single large shareholder to inject capital and shore it up from collapse.

The directors are considering who to approach to find a "shareholder of reference" which would take a large stake or possibly even acquire the bank to ensure its survival in some form.

Their action comes after continued falls in the share price and a widening in the spread on its bonds, which has made it difficult for the institution to obtain lines of credit.

It follows continued pessimism in the financial markets about the future of the bank, in spite of its successful negotiation of an emergency 14-month line of credit of up to FFr25bn ($5bn) with the state-backed Caisse des Dépôts, agreed last week at market rates.

Crédit Foncier has few large shareholders. After UBS, with 6 per cent, there is the Caisse des Dépôts and Assurances Générales des France with a little over 3 per cent each. The bank's directors are believed to have discussed options as wide-ranging as the French post office and foreign private banks to act as their saviour.

The bank said yesterday: "Our refinancing allows us to study in depth our reorganisation and adaptation."

Concern about a large restructuring has triggered strike action by staff unions, culminating in militants shutting the directors in their offices, late on Friday evening, to increase consultation.

As a result, the bank's executives have agreed to broader discussions with staff about cuts, and a delay in the formal unveiling of a "social plan" until the end of February.

They estimate they are likely to need to achieve economies of 30-40 per cent over the next three years, including asset sales and job reductions, which they hope to achieve largely through natural wastage.

In addition, when the bank reports its full-year 1995 results in April, there are expected to be large new provisions against its property loan portfolio.

It is likely to reduce its current areas of activity, focusing in future on housing loans including the government's recently announced zero-interest package for buyers of new accommodation.

Sweeping job losses expected as First Interstate agrees to offer worth $11.5bn

Wells Fargo raids the vaults to take over rival

Wells Fargo yesterday secured the agreement of First Interstate, a rival Californian banking group, for a takeover valued at $11.5bn, the highest price paid for a US bank.

First Bank System, the white knight that had been brought in by First Interstate last autumn in an attempt to fend off Wells' hostile bid, gave up its own merger plans in return for a $200m termination fee.

The acquisition will lead to some of the most sweeping job losses so far in an industry which faces a wave of lay-offs, many of them following mergers announced over the past year.

It will also leave California and neighbouring western states with the most concentrated banking market in the US. Along with rival BankAmerica, also based in San Francisco, Wells has used acquisitions to build a commanding position in the US's biggest state.

However, Mr Paul Hazen, Wells Fargo's chairman, played down suggestions that the concentration in the west reflected the emergence of a handful of dominant national financial institutions in the US.

"I don't believe we will end up with four or five big banks," he said. "We're still going to have more banks than defence companies [or] telephone companies."

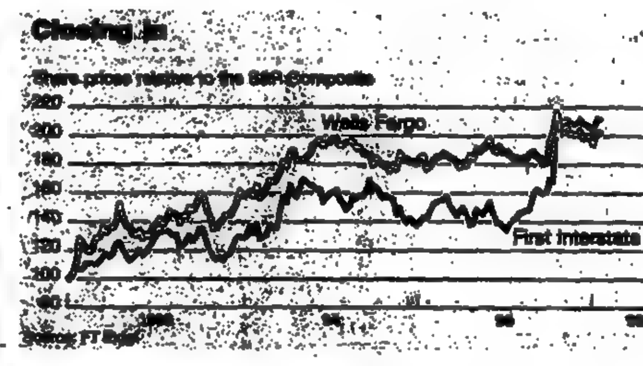
The agreement, which is subject to regulatory and shareholder approvals, will lead to the very outcome that Mr William Siart, First Interstate's chairman, has resisted for months: a wave of lay-offs, many in and around his bank's Los Angeles base.

Wells has said that it planned to cut about 7,500 jobs after the acquisition as part of an $800m cost-saving plan. It indicated at a regulatory hearing this week that it expected 5,100 of those jobs to go in California, where the two banks will have the greatest overlap.

First Interstate has 406 branches in the state, compared with the 988 banking outlets of Wells Fargo: the total will be reduced to 1,100. Many of those that remain will be in supermarkets, reflecting a move by Wells away from its traditional branch system. Such permanently staffed outlets typically stay open 10 hours a day, seven days a week and occupy as little as 36 sq ft, according to Mr Hazen.

For Wells Fargo's management, which has one of the best reputations for cost management in US banking, all this adds up to a powerful opportunity to fuel earnings growth.

Hazen yesterday: "We're still going to have more banks than telephone companies"



How the banks measure up

Wells Fargo	Assets:	$50.8bn
	Net income:	$1.03bn
	Return on equity:	29.7%
First Interstate	Assets:	$58.1bn
	Net income:	$885.1m
	Return on equity:	24.8%

Source: 1995 company reports

Followers of the bank will recognise a familiar picture: a decade ago it bought Crocker National from the UK's Midland Bank and promptly cut 4,000 jobs, fuelling its profits.

Mr Siart's agreement yesterday to a takeover he had resisted so hard follows the rapid unravelling in recent days of First Bank's rival offer. In a pivotal decision last week, the Securities and Exchange Commission ruled that First Bank could not engage in any big stock repurchases for two years if it succeeded in merging with First Interstate.

That ruling may have been the event that finally prompted First Interstate to throw in the towel. However, a growing pricing disparity had made the First Bank offer look increasingly shaky in recent weeks (at yesterday's share price, its own lapsed offer for First Interstate was worth $10.1bn).

"The price differential had been there for a long period of time, and it wasn't going away," said one Wells Fargo adviser, who said this was "75 per cent" of the reason why the San Francisco-based bank had emerged victorious.

First Interstate had failed to fend off Wells in other respects as well. An attempt to tie up the hostile bid in regulatory red tape came to nothing. And the moment was fast approaching when First Interstate would have had to publish its official proxy statement asking shareholders to support its merger with First Bank – putting its directors and advisers in an invidious position, given the big price difference that had emerged.

Pressure from discontented First Interstate shareholders also played a part in Mr Siart's change of heart, according to the Wells Fargo camp – though it remains unclear just how much arm-twisting finally had to be applied.

Among those to have declared their support for the higher Wells Fargo offer were Mr Michael Price, the mutual fund investor whose activity last year helped to push Chase Manhattan into a merger with Chemical Banking.

"There will be greater shareholder activism after this," said Mr George Salem, a banking analyst. Other banks "have to take notice and seriously consider mergers", or face growing unrest from shareholders.

Wells's victory does not necessarily mean that hostile bids are about to become more commonplace in the US banking industry.

"This is a one-off," says Mr Rodgin Cohen, a partner in the New York law firm Sullivan & Cromwell and the lawyer who helped steer through Wells's bid and Bank of New York's acquisition of Irving Trust in the late 1980s – the US's only previous big hostile takeover.

Few other US banks have the premium stock market rating, the track record of effective cost management, and the mental toughness to pull it off, says Mr Cohen.

Richard Waters

NTT tops world ranking on size

By Martin Dickson in London

Nippon Telegraph & Telephone, the Japanese telecommunications group, remains the world's largest quoted company, followed by General Electric of the US and Europe's Royal Dutch/Shell oil group, according to the latest FT500, the annual Financial Times review of top businesses.

The review underlines the strong stock market performance last year of high technology and pharmaceuticals, with many companies in these sectors showing sharp rises in rankings.

The survey lists the world's top 100 companies and includes separate regional tables for most parts of the globe, including for the first time the emerging markets of Asia-Pacific, Latin America and Eastern Europe.

It ranks companies by market capitalisation based on prices at the end of September.

In the FT European 500 of the biggest companies in western Europe, the list is headed by Royal Dutch/Shell, which has been in this position since the table began 14 years ago. Roche Holding, the Swiss pharmaceuticals and vitamins group, has retained the second place it gained last year, but with a greater market capitalisation.

Glaxo Wellcome, the UK pharmaceuticals group formed last year by Glaxo's £9.1bn takeover of Wellcome, is in third position. Glaxo was 9th the previous year.

In the high technology sector, Ericsson of Sweden, the mobile telephony group, has jumped from 52 to 17, while its market capitalisation doubled. Nokia, its Finnish rival, rose from 138 to 30. SAP, the fast-growing German business software group, has leapt from 192 to 82.

In Asia-Pacific, the top company is Singapore Telecom, with a market capitalisation of US$30bn, followed by Broken Hill Proprietary of Australia, and HSBC Holdings, the Hong Kong banking group.

The strong performance of US computer-related stocks last year is underlined by the presence of Microsoft, the software manufacturer, at number 14 in the world table, with a capitalisation of $59bn, and chip manufacturer Intel at 15.

Cisco Systems, a US company which makes equipment for computer networks and which was only founded in 1984, ranks 92nd in the world table, ahead of companies such as American Express and Chrysler. Half of the world's top 100 companies are from the US; 27 are from Japan; 4 from other Asia-Pacific countries; and 19 from Europe.

Editorial Comment, Page 11; See Separate Section

EUROPEAN NEWS DIGEST

Möller profits 'will beat expectations'

A. P. Möller, the shipping, shipbuilding and oil and gas group, will report better-than-expected results for 1995, according to a preliminary statement from the company. Möller said that operating profits in the shipping business would show an increase from DKr569m in 1994 to about DKr970m ($169.7m). After the proceeds from ship sales, extraordinary items and tax, profits will increase by DKr250m from DKr1.38bn in 1994.

Last year's interim report forecast an operating profit "over" 1994, but after ship sales and other items it said results would be in line with 1994. The company did not indicate where the improvements had arisen.

Profits from the oil and gas business, where Möller is the operating partner for a consortium with Shell and Texaco producing oil and gas from the Danish sector of the North Sea, will be in line with 1994's Dkr205m, the group said. The price of shares in the Möller group's twin parent companies, D/S Svendborg and D/S 1912, rose yesterday. Svendborg's B shares went ahead by DKr3,200 to DKr171,800 and 1912's B shares by DKr1,900 to Dkr120,000. *Hilary Barnes, Copenhagen*

OCP buys 40% of Teneo arm

Teneo, Spain's state holding company, has partly privatised its construction subsidiary Auxini with a Pta3.03bn ($24m) deal to sell a 40 per cent stake to the private-sector OCP group. The deal includes a priority option on the remaining 60 per cent of the company's shares.

Several other Spanish contractors had expressed interest in Auxini, including the Pacsa concern in which Germany's Hochtief holds a 30 per cent stake. OCP and Auxini, which together would form Spain's fifth-largest construction group by turnover, are to continue operating independently in the domestic market but will join forces on overseas contracts. OCP had consolidated turnover last year of Pta135bn, compared with Pta54bn for Auxini. The latter, which showed a pre-tax 1995 profit of Pta2.2bn, was considered an anomaly within the Teneo group. *David White, Madrid*

Adia ahead 66% in first term

Adia, the Swiss temporary employment agency, yesterday reported a jump in net profit in the first quarter of its 1995-96 financial year. Net income rose 66 per cent to SFr17.3m ($14.6m) for the quarter ended December 31 1995, against SFr10.4m a year earlier. The group, based in Lausanne and Redwood City, California, said it had achieved increased profitability through cost containment and office automation.

The company, which last year paid its first dividend since 1989, said the profit increase had been achieved in spite of the US government shutdown and "difficult market conditions" in France. It was optimistic for the future, especially if the US dollar continued to strengthen.

Excluding Personnel Group of America, which has been sold, Adia's revenues of SFr862.1m in the quarter were unchanged in Swiss franc terms, but 9 per cent up at constant exchange rates from a year earlier. *Frances Williams, Geneva*

■ BSI-Banca della Svizzera Italiana, the Lugano-based private bank wholly-owned by Swiss Bank Corporation, reported a 13 per cent fall in net profit last year from SFr28m to SFr24.4m ($20.5m). The bank, which cut operating expenses by more than SFr20m between the two years, blamed the drop primarily on dollar weakness. This affected both net commission income and trading income, between them accounting for two thirds of BSI's total operating revenues of SFr301.5m. BSI's assets totalled SFr6.8bn on December 31 1995, a rise of 14.8 per cent from SFr6bn a year earlier.

Frances Williams

Fokker shares halve as trading resumes

By Ronald van de Krol in Amsterdam

Fokker's shares lost nearly half their value yesterday as trading resumed after a two-day suspension, giving investors their first chance to react to news of the Dutch aircraft maker's dire financial straits and its filing for protection from creditors.

The Amsterdam stock exchange lifted a ban on trading in Fokker but moved the shares to the non-officially quoted section of the bourse.

The non-official category, known as the "penalty box" in Amsterdam, groups companies with negative equity or other serious financial difficulties, and carries an implicit warning to potential investors.

In early trading, the shares plunged more than 70 per cent to Fl 1.75 but recouped some losses to close at Fl 3.20, a decline of 48 per cent from Friday's close of Fl 6.20.

Fokker – thrown into turmoil by the refusal on Monday of its main shareholder, Daimler-Benz Aerospace (Dasa) of Germany, to continue providing financial support – was granted a four-week period of protection from creditors on Tuesday. The court protection covers the core aircraft-building business of Fokker but excludes three small but profitable operating companies in the fields of defence, electronics and aircraft maintenance.

The company, a specialist in regional aircraft, is holding talks with unnamed potential partners about keeping as much of the group together as possible.

Bombardier of Canada, whose aerospace activities include Learjet, De Havilland and Short Brothers in Northern Ireland, is frequently cited as a likely candidate, but Fokker declined to confirm or deny it was talking to the Canadian company.

Mr Hans Wijers, the Dutch economics affairs minister, told Dutch radio that interest had been expressed from companies in Asia, North America and Europe, but he would not be drawn on details.

In a nine-page letter to parliament, Mr Wijers set out the government's view of why efforts to mount a joint Fl 2.3bn ($1.39bn) rescue with Daimler-Benz ended in failure. The government, a minority shareholder, said the German parent company's demands had been "out of proportion".

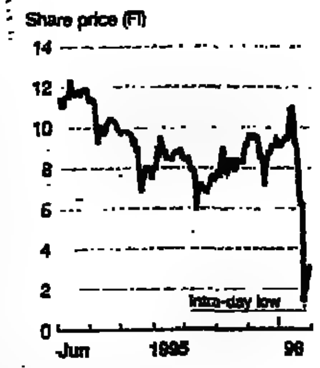
"The Dutch government will continue to work actively to seek solutions to enable Fokker, or parts of the business, to be given realistic future prospects, with or without third parties," he said in his letter.

"Dasa has declared itself willing to make a constructive contribution to the search for solutions for Fokker, provided this does not imply further financial obligations."

Besides holding a controlling stake in Fokker, Dasa is also the Dutch company's biggest creditor and a key supplier of fuselages for the Fokker 70 and the Fokker 100 aircraft.

Fokker is managing to keep afloat on unspecified liquidity at its disposal. Part of this money represents a payment by Dasa to Fokker for leased Fokker aircraft which were transferred to a leasing company owned by Daimler-Benz's financial services arm.

Fokker



Source: FT Extel

Incentive parts with Hasselblad

By Hugh Carnegy in Stockholm

Sweden's Wallenberg empire yesterday parted company with one of its most prestigious brands when it sold Hasselblad, the specialist camera maker, whose products have photographed everything from man's first steps on the moon to millions of weddings the world over.

The Gothenburg-based company, founded in the 1940s by the late Swedish amateur photographer Victor Hasselblad, was sold for SKr600m ($87.5m) by Incentive, the diversified Wallenberg industrial holding company which is undergoing a strategic shift to focus on medical technology.

The buyers were UBS Capital, a Netherlands-based investment subsidiary of Union Bank of Switzerland; the British venture capital group CINVen; and Hasselblad's management. UBS bought just over 50 per cent of the shares, the management bought 10 per cent and the balance was taken by CINVen.

Hasselblad is small compared with other famous Swedish companies, such as Volvo, Ericsson or Electrolux. Sales in 1995 were SKr680m and operating profit margin "around 10 per cent" but its name is recognised well beyond the field of photography. Mr Staffan Junel, chief executive, said Hasselblad was among the world's 300 best-recognised brands.

Hasselblad cameras have been used by Nasa, the US space agency, for more than 30 years and photographed Neil Armstrong's first steps on the moon in 1969. They are the second most popular cameras in the medium format range used for studio or static shots by professional photographers and what Hasselblad calls "advanced amateurs".

In recent years, the company has also developed digital imaging and transmission products used by newspapers and the pre-press industry – an area accounting for 10 per cent of sales and set to grow.

Incentive decided to sell Hasselblad as part of its fast-developing move to focus on medical technology, a key strategy in efforts by the Wallenberg group to strengthen its investments in technology-oriented growth industries to balance its traditional strengths in cyclical sectors such as engineering and pulp and paper.

Incentive is currently bidding to complete a full takeover of Gambro, the Swedish renal and blood treatment specialist. It is seeking to sell off several other holdings in areas ranging from transport to air conditioning in line with the shift in focus and to help offset the SKr10.3bn cost of its Gambro bid.

The Hasselblad sale has produced a capital gain of SKr100m and will reduce goodwill by SKr230m.

Olivetti's openness fails to impress

By John Simkins in Milan

Whenever Olivetti seems to have turned the corner, it reveals another nasty surprise. Tuesday's announcement of bigger than expected 1995 losses was a case in point. The Italian computer group's shares slid yesterday 6.3 per cent to L993 as the market digested the unpalatable news, widening still further an already large credibility gap.

"The problem is reconciling what the company told the market previously with what it is saying now," said Mr Gianluca Codagnone of Milan brokers Aloisio Foglia Ventura. "It is a different story."

The company had said the results would not be revealed until its annual board meeting at the end of May.

However, Olivetti claimed the surprisingly successful L2,257bn ($1.4bn) rights issue in December – which resulted in foreign investors owning about 70 per cent of the company – meant it owed an even greater responsibility to be transparent.

The clamour for Olivetti to keep the market informed grew last week after it emerged that the company had privately briefed analysts that 1995 restructuring costs required to help turn it into a broad-based information technology and telecommunications group would be higher than the L900bn provided for in the first half.

After Tuesday's board meeting Olivetti said it expected a pre-tax loss of L500bn before a restructuring charge of L1,050bn. It estimated consolidated turnover at L9,830bn, up 10 per cent, and expected an operating profit of between L110bn and L130bn after four years of losses.

This would give Olivetti net losses of about L1,550bn, but Mr John Stewart, of the Milan brokers InterEuropa, said yesterday the final total might be about L1,620bn after subsidiaries had paid tax.

He added that before the rights issue the company was adamant that restructuring costs would not exceed L900bn and that operating profit would be higher than currently estimated.

"Olivetti has had little credibility with analysts because they have said they would be out of the red so often in the past," he said. "Time after time figures have not lived up to expectations."

Another Milan broker said that although the estimated losses were in line with most recent expectations, the market had been disappointed by the lack of information on the group's debt, which he estimated at about L700bn.

He said the tumbling share price also reflected worries that the expected net profit for 1996 might not materialise. A number of houses have recently downgraded their profit forecast to about L130bn.

Olivetti said the slowdown in the second half was due largely to the worldwide downturn in informatics, aggravated by appreciation of the lira and a drop in revenues on the French market because of strikes at the end of last year.

The company added that the extra L150bn restructuring costs had arisen because more employees were leaving the company than expected – 6,000 rather than 5,000 – and doing so earlier than expected. This augured well for 1996 overheads, said Olivetti.

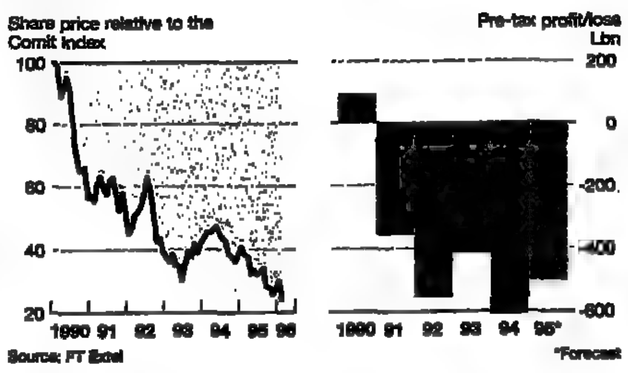
Other positive steps, said Mr Carlo De Benedetti, chairman, were the Infostrada telecoms joint venture with Bell Atlantic, France Télécom and Deutsche Telekom, and the successful launch last month of Omnitel Pronto Italia, the mobile phone operator which had already signed up 68,000 subscribers and in which Olivetti has a 41 per cent stake.

However, significant profits from Omnitel and the multimedia operations are some way off, and analysts are looking to the company to stem losses in its personal computer division, which accounts for about 20 per cent of turnover.

"The first half of 1996 will show if they are doing the right thing," said one London-based analyst.

Lex, Page 12

Olivetti



Source: FT Extel

Flat returns from main Thyssen unit

By Michael Lindemann in Düsseldorf

Thyssen Handelsunion (THU), the largest of the three divisions in the Thyssen group, yesterday reported flat net profits of DM119m ($80.5m) for the year to last September and warned of a "very difficult" year ahead.

Mr Dieter Vogel, the company's chief executive who takes over at the helm of the Thyssen group in March, said uncertainty about economic growth in Germany and elsewhere was likely to affect THU's performance this year. "It will be very difficult to repeat this year's result," he said.

The company described the first quarter of the current year, which began on October 1, as "subdued". Sales rose 15 per cent to DM4.6bn but half of that increase was because of additions at the logistics and recycling businesses.

The dimmer prospects for this year have been underscored by continuing uncertainty about developments in the steel market, an important element of THU's business.

Demand for steel remains high but prices in recent months have fallen by about DM100 a tonne for stainless and other more expensive steels, according to Mr Josef von Riederer, a member of the management board. In spite of the warnings, Mr Vogel said virtually all THU's eight divisions recorded a profit in the year to September 30.

The only exception was the year-old telecommunications division, which reported losses of DM150m because of start-up costs. About 70 per cent of those losses were related to investments in E-Plus, Germany's third mobile phone network in which THU holds a 28 per cent stake. Mr Vogel said THU expected to report similar losses on its telecommunications business this year.

He said THU's accounts looked less positive than expected this year because the company had had to pass on DM180m to its parent company to finance this year's dividend of DM10 a share. Last year, when no dividend had been paid, THU had passed on only DM5.3m.

Because THU buys many of the goods it trades in dollars, the company was not hit as badly as other larger German companies by last year's rise in the D-Mark, Mr Vogel said, losing only DM20m. The company had calculated an average exchange rate for this year of DM1.45 to the dollar, he added.

While profits remained sluggish, sales at THU rose 18.7 per cent to DM20bn, their highest level to date.

DnB gets go-ahead for Vital takeover

By Hugh Carnegy

Norway's Labour government has finally given the green light to Den norske Bank, the country's biggest bank, to take over the insurance group Vital, ensuring the defeat of the Dutch insurer Aegon which first opened the bidding for Vital last May.

The NKr2.96bn ($457m) takeover was fraught with controversy because the government, as majority shareholder in DnB and regulator of the financial sector, assumed the double role of bidder and adjudicator. Aegon's bid also clashed with Labour's policy of ensuring ownership of the country's main financial institutions remains in Norwegian hands.

Mr Sighjörn Johnsen, finance minister, ruled in the end that both DnB and Aegon could take over Vital, Norway's second largest insurance company. But the practical effect of the judgment was to hand victory to DnB as it had already won acceptance for its NKr110.00-share-bid from 99 per cent of Vital's shareholders. Aegon had bid NKr103.00 a share.

Mr Johnsen did not disguise the government's disquiet over the Aegon bid. He said DnB's triumph would "help out in the job of safeguarding national ownership of Norwegian companies".

This stance enjoys considerable political support. But opposition parties - led by the Conservative party - had objected strongly to the takeover on the grounds that it reduced competition in the financial services industry and significantly extended the state's ownership role.

But the gamble by the government, which is in a minority in parliament, that the fragmented opposition would fail to unite over the issue to push through a motion of no-confidence appeared yesterday to have paid off.

The government still owns 72 per cent of DnB and 69 per cent of its biggest rival, Christiania Bank, following the state bail-out of the banking system during a severe loan loss crisis at the turn of the decade. Labour is prepared to reduce these stakes to 50 per cent by 1997, but wants to hold on indefinitely to a controlling one-third share.

DnB's takeover of Vital will create a group with total assets of NKr200bn, Norway's biggest commercial financial institution.

Mr Finn Hvistendahl, DnB chief executive, welcomed the long-awaited decision by the government, insisting that the takeover would give "a major boost to the competitiveness and streamlining of the Norwegian financial sector".

Strength of Swiss franc hits Ciba sales

By Daniel Green

The strength of the Swiss franc hit 1995 sales at Ciba, the Swiss pharmaceuticals and chemicals company.

Ciba sales slipped 3 per cent to SFr20.7bn ($17.4bn), from SFr22.05bn in 1994, but the company forecast improved profits. When measured in local currencies, sales rose by 6 per cent.

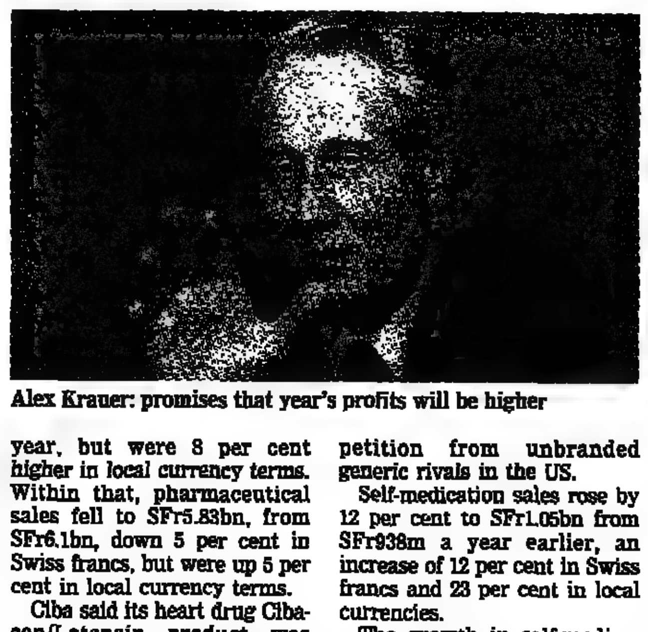
The sales figures were worse than those of both Roche and Sandoz, the other two large Swiss drugs companies, published in the past week.

Ciba, however, promised that profits for the year would be "substantially higher" than in 1994, with a strong operating performance supported by good treasury results and effective hedging.

Ciba shares rose SFr18 to SFr982 following the comments.

Mr Alex Krauer, chairman, is scheduled to announce the profits figures on March 26.

Sales in Ciba's healthcare division fell by 2 per cent last year, but were 8 per cent higher in local currency terms. Within that, pharmaceutical sales fell to SFr5.83bn, from SFr6.1bn, down 5 per cent in Swiss francs, but were up 5 per cent in local currency terms.



Alex Krauer: promises that year's profits will be higher

Ciba said its heart drug Cibacen/Lotensin product was "well supported" by favourable market conditions in the US, Japan, and Germany, and its anti-arthritis drug Voltaren continued to show growth in local markets in spite of competition from unbranded generic rivals in the US.

Self-medication sales rose by 12 per cent to SFr1.05bn from SFr938m a year earlier, an increase of 12 per cent in Swiss francs and 23 per cent in local currencies.

The growth in self-medication sales was strengthened by Ciba's acquisition of Rhône-Poulenc Rorer's North American over-the-counter business in December 1994.

Ciba Vision, which makes contact lenses and ophthalmic medicines, saw sales rise 2 per cent to SFr1.12bn, or an increase of 13 per cent in local currencies.

Sales in the agriculture sector rose 1 per cent to SFr4.8bn, or up 12 per cent in local currencies.

Growth in agriculture was fuelled especially by "the extraordinary performance" of its animal health segment, where sales climbed 44 per cent in Swiss francs.

The growth was boosted by the "tremendous success" of the launch of its pet flea control treatment in the US.

Crop protection sales totalled SFr3.88bn, down 4 per cent in Swiss francs but up 7 per cent in local currencies. Seeds sales fell to SFr215m, down 9 per cent in Swiss francs but up 2 per cent in local currencies. Industry division sales dropped 8 per cent to SFr7.9bn, a rise of 1 per cent in local currencies.

Ciba said business conditions at its textile dyes and chemicals segments continued to be "tough".

AMERICAS NEWS DIGEST

Xerox shares fall as earnings disappoint

Shares in Xerox, the US copier manufacturer, dropped 11 per cent yesterday despite a 20 per cent rise in fourth-quarter earnings and a promise of further improvement in the current year. Earnings per share of $3.11 were about $0.10 short of forecasts. Xerox blamed a 3 per cent drop in US revenues in the quarter on the lingering effects of a re-organisation of the sales force a year ago. Mr Paul Allaire, chairman, said steps had been taken to correct this and that market opportunities remained significant.

Xerox said that while there was still pressure on product prices, margins had risen because of the group's sweeping restructuring in recent years. The workforce has been cut 12 per cent since 1993.

After a previously announced $1.5bn charge for the sale of insurance businesses, the company lost $1.1bn net in the quarter. Earnings were $379m before the charge and before a $98m gain from a cut in the Brazilian tax rate. Xerox said the tax cut would add between $30 and $40m a year to earnings henceforth. Mr Allaire said: "We are in a strong position to continue to grow our business and improve our financial returns in 1996". Xerox shares fell $16¾ to $125¾.

Tony Jackson, New York

J&J beats forecasts

Shares of Johnson & Johnson, the pharmaceutical and consumer products group, jumped $3⅝ to $91 early yesterday when it reported stronger than expected fourth-quarter figures. Net income for the final three months rose from $378m to $465m, with earnings per share ahead from 59 cents to 72 cents, beating forecasts of around 68 cents. That took net income for the year from $2.01bn to $2.30bn, and earnings per share from $3.12 to $3.72, a rise of 19 per cent.

Mr Ralph Larsen, chairman and chief executive, said the performance in 1995 was "the strongest in recent history". He said the net income margin of 12.8 per cent, up from 12.7 per cent in 1994, was "the highest that has ever been achieved in Johnson & Johnson's history", even though the tax rate had risen by two percentage points. Growth had been strong across product lines and geographical locations, he said.

■ American Home Products, the pharmaceuticals group, suffered earnings dilution from its $9.7bn purchase of American Cyanamid at the end of 1994. Fourth-quarter earnings per share fell from $1.30 to 26 cents, after one-off charges of 99 cents. For the year, earnings per share fell from $4.97 to $4.78 after net non-recurring charges of 64 cents. A rise in interest charges from $8.76m to $515m for the year affected profits.

Maggie Urry in New York

US broker posts record in term

Donaldson, Lufkin & Jenrette, the securities house which floated last October, reported record earnings in the last quarter of 1995, and said its 1995 results "closely approached the record earnings we achieved in 1993". Mr John Chalsty, president and chief executive, said: "We anticipate continued improvement in our major businesses in 1996." The shares, which were sold in October at $27, rose $¾ to $30¾.

Gains were driven by rises in underwriting and mergers and acquisitions fee income, as well as sharply higher principal transactions revenues. Fourth-quarter net income was $57.6m, or 98 cents a share, after an 11 cents a share charge relating to the flotation. That compares with net income of $37.5m in the same period of 1994, and with $42m in the third quarter of 1995. There are no earnings per share figures for the comparable periods because of the flotation. For the year, net income totalled $179m, or $3.08 a share, compared with $123m in 1994.

Maggie Urry

Flat results from Bradesco

Preliminary results from Bradesco, Brazil's biggest private-sector bank, show profits in 1995 holding steady despite a difficult year for the industry. Nominal profits of R$540m (US$553m) were up from R$445m in 1994. However, Brazil's accounting rules and currency variations make a comparison of the two figures difficult and the bank has yet to release adjusted figures for 1994.

Jonathan Wheatley, São Paulo

Maybelline advances 11%

Maybelline, the US cosmetics company that this week recommended shareholders to accept a $608m bid from L'Oréal, the French cosmetics group, yesterday reported fourth-quarter and full-year results showing it had made net profits of $18.5m last year, an increase of 11 per cent over the previous year's $16.6m.

However, Maybelline said net profits would have been $2.5m higher without costs incurred during the takeover battle. That would have taken net profits to $21m and earnings per share to $1.52, an increase of almost 27 per cent over the previous year's figure. Net profits rose from $1.1m to $2.5m in the quarter, but without the $2.5m charge, they would have risen to $5m.

Richard Tomkins, New York

Compaq lifts sales by 45% in final term

By Louise Kehoe in San Francisco

Compaq Computer extended its leadership in the personal computer market with 45 per cent sales growth in the fourth quarter, outpacing estimates of about 25 per cent.

Fourth-quarter sales were a record $4.7bn, up from $3.25bn in the same period a year ago. Net income, before charges for acquisitions, jumped 41 per cent to $323m, or $1.17 a share, from $343m or 90 cents a share.

During the quarter, Compaq acquired two small networking technology companies, NetWorth and Thomas Conrad, taking a charge of $241m or 87 cents a share to cover costs.

Despite the strong fourth quarter, Compaq did not quite hit Wall Street projections of $1.18 a share and its share price dropped to $48½ in mid-session, down from Tuesday's close of $49⅝.

Compaq noted that market analysis are predicting moderating growth rates for PC sales in 1996 of about 17 to 20 per cent. The company also pointed out that first-quarter sales are likely to decline from those in the fourth quarter, when consumer sales typically peak.

A rising tax rate and intense price competition in Japan, Compaq's second largest international market after Europe, are likely to reduce profit margins in the first quarter, it said. Nonetheless, its fourth-quarter performance topped a year in which the Houston, Texas-based company clearly pulled ahead of competitors, winning market share. Other PC manufacturers that have said that fourth-quarter market growth did not live up to expectations may, in fact, have been losing sales to Compaq.

Compaq's performance was particularly strong in North America, where sales jumped 54 per cent. Elsewhere, sales growth ranged from 27 per cent to 38 per cent.

For the year, Compaq sales were $14.8bn, an increase of 36 per cent over the $10.9bn of 1994. Net income for the year was $1.0bn or $3.74 a share, excluding acquisition charges, against $867m or $3.21 a share in 1994.

Compaq will launch the first products from its new Internetworking division – bolstered by the NetWorth and Thomas-Conrad acquisitions – during the current quarter. It is also moving into the engineering workstation field, where it will compete with Sun Microsystems, Hewlett-Packard and others, with the planned launch of high performance desktop machines based on Intel's new Pentium Pro microprocessor.

A new range of consumer PCs is also in the pipeline. In the current quarter, Compaq will update its consumer products. Later in the year it will introduce a new product line with features such as videophone communications and arcade-game graphics.

Takeover talk timely for Apple Computer

Sun Microsystems' apparent interest highlights the ailing PC company's need for a suitor

For Apple Computer, rumours of a possible takeover by Sun Microsystems could hardly come at a better time. With its strategy to compete in the cut-throat consumer PC market in tatters, and its management facing a crisis of confidence, the ailing personal computer company needs a suitor.

Sun is merely the latest of several prospective buyers. IBM is believed to have talked to Apple early last year, but failed to agree a price. Mr Larry Ellison, chairman of Oracle, the leading database software company, attempted to put together a deal that would have involved spinning off Apple's hardware operations but retaining its software business.

Now, despite Apple's continuing insistence that it is "not for sale", many shareholders hope Sun will make a bid for the company. Both Sun and Apple have declined to comment on whether they are in talks but, perhaps significantly, neither has denied it.

Such a combination would be good for Apple, industry observers say, providing the company with new capital and an aggressive top management team. Sun might also finally give Apple the entry into the corporate computing market that it has struggled to find.

In return, Sun would gain one of the world's most widely recognised brand names and the highly regarded Macintosh software, as well as a ready-built PC distribution system.

Moreover, it could extend its leadership in Internet technologies and products. Already, Sun is the largest supplier of servers linked to the global network, with an estimated 80 per cent market share, and its new Java programming language for Internet applications is generating worldwide interest.

Apple, meanwhile, claims that its Macintosh computers are used by the majority of people creating "content" for Internet servers. The company has also developed technology for a low-cost "Web browser" machine designed to work with a television set.

But analysts doubt whether Sun could combine the Apple Macintosh product line with its existing workstation and server products, which are based on different technology, and note that Sun has no prior experience in the consumer market.

Although they are Silicon Valley neighbours, Sun and Apple are very different companies.

Apple, which still ranks as one of the largest PC manufacturers in the world, pioneered the industry with PCs based on Motorola microprocessors and an easy-to-use software operating system that, until recently, outshone its main rival, Microsoft's Windows. It carved out strong positions in market segments such as education, publishing and the arts.

Although Apple's share of the world PC market has dwindled to about 9 per cent, its customers are fiercely loyal. While Apple may have lost market leadership, it has "won the hearts of its customers", said one analyst.

But despite repeated attempts, Apple's products have never found widespread acceptance in the business world, where they compete directly with machines based on the PC industry standard of Intel microprocessors and Microsoft Windows-based software.

Analysts blame Apple's current predicament on the lack of a clear strategy to compete with standard PCs – including its failure to license its proprietary operating system to other vendors sooner – together with a series of management mistakes. Poor forecasting of demand put Apple at a disadvantage for much of 1995, when the company was unable to fill orders for some of its Macintosh models because it had insufficient supplies of critical components.

By the time the problems were resolved, demand for its machines had weakened – particularly in the US and Japan, where competitors had cut prices aggressively and new machines running Microsoft Windows 95 had appeared on the market.

Efforts to boost demand with sharp price cuts in December put additional pressure on margins and came too late, according to industry analysts. They were also disappointed last week when Apple unveiled a first-quarter loss of $69m, without announcing at the same time more drastic measures to address its problems. Instead, it warned that it expected continuing losses from operations in the current quarter, restructuring charges of "at least" $125m and 1,300 job cuts over the next 12 months, to reduce its workforce by about 8 per cent.

In the wake of that announcement, Apple's share price plunged to just more than $30, which values it at less than $4bn.

In contrast, Sun's business is heavily focused on the corporate rather than the consumer market, and has been growing rapidly and profitably. Sun derives most of its revenues from high-powered computer workstations based on its Sparc microprocessors and Unix operating system, and servers linked to the Internet.

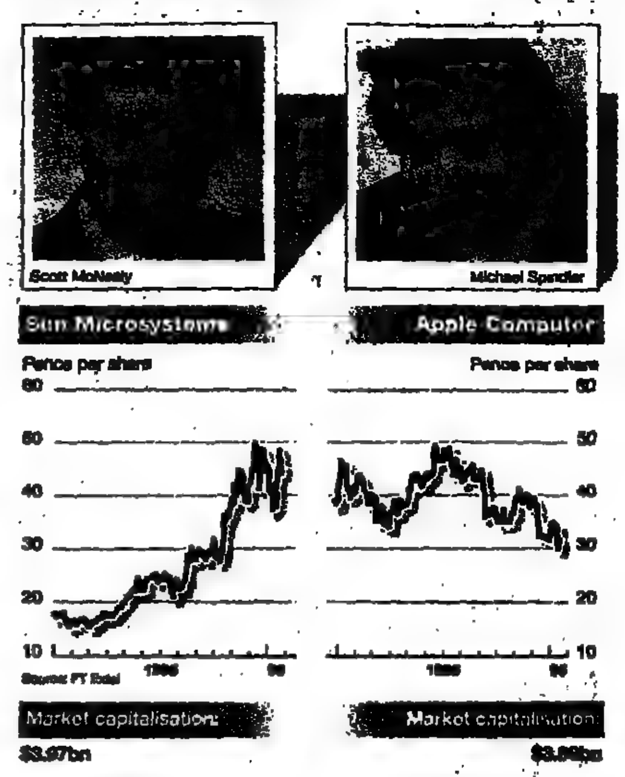
Last week Sun reported higher than expected earnings for its second quarter. Net income rose 54 per cent to $126.1m, as strong demand (for its Internet products in particular) drove first-quarter revenues up 19 per cent to $1.49bn.

High-tech marriages are notoriously problematic – and in Apple's case could be especially tricky because the company is fiercely independent. Yet Apple insiders say that many of the company's young technologists would be pleased to join a "winning team" if Sun made a takeover bid.

Sun's next move is far from certain, however. Industry observers point out that since Apple is now actively seeking licensees for its Macintosh and other technologies, Sun might seek a licensing deal rather than acquire the company. "That would save Sun a lot of headaches," said one former Apple executive.

Louise Kehoe and Paul Taylor

Sun tries to ripen Apple



Buy-back helps Du Pont to weather slowdown

By Tony Jackson in New York

Du Pont, the US chemicals group, weathered the slowdown in the world chemicals cycle, with underlying profits up some 15 per cent in the final quarter.

Stated earnings in the quarter rose 35 per cent before exceptionals to $1.28 a share. However, this was largely due to the 14 per cent reduction in the number of shares, following Du Pont's $8.8bn share buyback last April. Net income, *depressed by the interest costs* of the buy-back, was up 10 per cent at $710m.

Chemical volume in the US, which had fallen in the third quarter, showed a slight recovery, Du Pont said. For the year as a whole, chemicals sales were up 9 per cent at $24.5bn. Higher volume contributed 4 per cent of the growth, with US volume up 1 per cent.

Volume overseas, helped by strength in Europe and the Asia-Pacific region, was up 7 per cent.

Chemicals prices for the year rose 5 per cent, with half the increase due to dollar weakness.

In the more narrowly defined chemicals segment, earnings for the year were up 66 per cent at $649m, on sales up 11 per cent at $4.2bn. Chief contributors to growth were the white pigment titanium dioxide, *and speciality chemicals.*

Earnings from artificial fibres were up 18 per cent at $795m, on sales up 7 per cent at $7.2bn. In polymers, earnings were up 24 per cent at $876 on sales up 11 per cent at $7bn.

Earnings at the Conoco oil subsidiary were fractionally down at $700m, with upstream earnings up 8 per cent to a record $509m. Upstream operations outside the US *raised earnings 14 per cent,* helped by higher crude prices. Downstream earnings fell 19 per cent to $191m.

Mr John Krol, president and chief executive officer, said he was optimistic that Du Pont's would perform well in the current year.

In the final quarter, chemicals earnings were up 47 per cent to $151m. Fibres earnings fell 2 per cent to $188m. Polymers earnings were up 7 per *cent at $213m, and Conoco's* earnings, up 14 per cent at $134m.

The diversified businesses division, taking in pharmaceuticals and agrochemicals, raised earnings 27 per cent to $175m.

Du Pont's shares rose $2⅞ to $74⅞ in early trading.

Bausch & Lomb lowers its 1993 results in restatement

By Richard Tomkins in New York

Bausch & Lomb, the troubled US optical goods company under investigation for alleged accounting irregularities, yesterday said it was restating its results for 1994 and 1993 "in an effort to resolve continuing uncertainties as to past matters".

Acknowledging that the sales and profits it reported for 1993 were too high, it said the restatement would reduce the year's sales by $42.1m and net income by $17.6m. The figures *for 1994 would rise by* corresponding amounts, it said.

Bausch & Lomb has been facing allegations that it boosted its flagging results at the end of 1993 by foisting large quantities of its products on to its distributors. The distributors, it is alleged, were told they need *only pay for the products* when they were sold, yet Bausch & Lomb booked them as sales immediately.

The move backfired when the distributors proved unable to shift the goods, resulting in a glut the following year. Bausch & Lomb subsequently reported that net profits for 1994 had slumped from $156.5m to $13.5m.

Yesterday Bausch & Lomb said it continued to believe that the accounting in 1993 "was made in good faith based on facts known at the time by the company, its senior management and its outside auditors".

However, it said it was restating the figures to resolve "uncertainties" over the execution of a contact lens distributor programme in the US and the "improper recording" of certain 1993 sunglass sales in south-east Asia.

The alleged accounting irregularities are the subject of two probes: one by the Securities and Exchange Commission, and the other by a special committee set up by the company's *outside directors.*

Last month Mr Daniel Gill, Bausch & Lomb's chairman and chief executive, was forced out by shareholders angered by the company's poor financial performance. He has been temporarily replaced by Mr William Waltrip, an outside director.

Yesterday Bausch & Lomb reported that retirement and other benefits for Mr Gill amounting to $4.4m had helped take it into losses of $3.4m for the fourth quarter, compared with restated net losses of $62.1m a year earlier. For the full year, it reported net profits of $112m, compared with a restated $31.1m.

Bausch & Lomb, best known for its contact lenses and Ray-Ban sunglasses, has been facing difficulties in both its main *businesses. In contact lenses,* it has been left behind by the switch to disposable lenses, and in sunglasses, it has been caught out by a trend towards more youthful, sports-oriented styles.

Mr Waltrip said two priorities in the effort to improve *Bausch & Lomb's financial per*formance were the implementation of a $50m cost-cutting programme and the introduction of new products, particularly in the sunglass and contact lens markets.

Banamex increases net income by 23%

By Leslie Crawford in Mexico City

Banamex, Mexico's leading commercial bank, increased net income for the final quarter of 1995 by 23 per cent to 615m pesos, bringing the total net income for the year to 2.16bn pesos ($294m).

The sale of 15bn pesos of problem loans to the government in December, new capital injections, and additional *loan-loss provisions allowed* Banamex to end 1995 in better shape than a year ago.

Loan loss reserves, which totalled 5.98bn pesos at the end of December, cover 74 per cent of Banamex's total past-due loans, compared with less than 50 per cent one year ago. Non-performing loans account for 8.3 per cent of Banamex's total loan portfolio.

Banacci, the financial group which owns Banamex, also reported increased fourth-quarter earnings. The group's operating profits reached 823m pesos, 14 per cent higher than the previous quarter. For 1995, Banacci posted an operating profit of 2.78bn pesos, against 831m pesos in 1994.

Under the loan sale agreement reached with the government, *Banamex agreed in* December to strengthen its capital base by 8.54bn pesos. Mr Manuel Medina-Mora, the bank's deputy president, said Banamex had already injected 3.3bn pesos of the promised amount. The remainder would be raised in 1996, hopefully without diluting shareholder control.

Mr Medina-Mora said he did not foresee a strong recovery in bank lending during 1996.

Banks had yet to find solutions for the heavily-indebted corporate sector, which was left out of last year's interest-relief and debt-rescheduling schemes for small debtors. Bankers estimate that up to 40 per cent of overdue loans are owed by large and medium-*sized corporations.*

Mr Medina-Mora said he did not expect Banamex's lending to grow by more than 3 to 4 per cent this year, only slightly ahead of projected economic growth.

Mixed period for US oil groups

By Christopher Parkes in Los Angeles

Phillips Petroleum yesterday reported a 34 per cent increase in fourth-quarter earnings before special items, while newly-adopted accounting standards turned Chevron's claimed success at the operating level into a net loss for the quarter of 64 cents, compared with 96 cents profit last time.

Chevron's special charges for refinery maintenance, plant conversion to meet new gasoline quality requirements in its home state of California, and the impact of the previously-announced accounting change lopped more than $1bn from *net profits for the full year.*

As a result, the company yesterday reported earnings for the full year of only $930m, compared with $1.69bn in 1994. A last-quarter profit of $623m in 1994 was turned into a $418m deficit.

Mr Ken Derr, chairman and chief executive, said the year's operating profit was "very good ... considering the disappointing results of our US downstream operations".

However, unexpected refinery problems and low industry *refining margins resulted* in "very poor results" in the US refining and marketing divisions.

Chemicals had a record year, although earnings would be lower in 1996, Mr Derr warned.

The group cost-reduction programme had made further *progress despite unforeseen* charges for refinery repairs. "We are managing our business on the conservative assumption of a continued low-price environment," Mr Derr added.

Operating profits from US exploration and production activities fell from $169m to $140m in the final quarter, and from $584m to $552m for the year.

The new accounting standard and other extraordinary items resulted in a $359m loss *for the quarter and a slump* from $518m to $72m in net earnings for the year.

Refining and marketing, although unaffected by the accounting change, saw 1994's annual net profit of $40m turn to a $104m deficit, due to special charges. Operating profits *for* the full year fell from $325m to $75m.

Oklahoma-based Phillips credited increased foreign crude production and reduced costs with bolstering results in its exploration and production divisions.

Chemicals profits also increased substantially in the year but, in common with other companies affected by international economic uncertainty, Phillips said progress slackened in the final quarter.

Net income from these *operations declined from $77m* in the last three months of 1994 to $60m last time.

After special items – a $50m capital carry-forward gain in the final quarter of 1994 and a charge of more than $20m this time for job cuts – net earnings per share for the quarter fell a third from 62 cents to 42 cents. Earnings per share for the full year slipped from $1.85 to $1.79.

Slim-line Carso plays Telmex card

Mexican group may spin off its telecoms stake, writes **Daniel Dombey**

Grupo Carso, one of Mexico's biggest groups, is decidedly austere. Other, smaller businesses have grand corporate headquarters in towering buildings, while Carso, a holding company which recorded sales of $1.9bn for the first nine months of 1995, does not really have a *headquarters – nor even a* chief executive.

In the building where many of the people associated with the company work (the centre of a sister financial group) there is no lift – a luxury considered too expensive – many of the desks are made from plywood, and even the potted plants look in need of more care and attention.

Such modesty has helped make *Mr Carlos Slim,* who formed the company in 1990 from acquisitions built up over the previous three decades, the richest man in Mexico.

"The austerity of the company shows its commitment to running extremely low costs while maintaining quality," said *Mr Shayne McGuire,* analyst at Baring Securities in Mexico City.

Recently the company proposed to spin off its controlling, 8.6 per cent stake in Telmex, Mexico's dominant telecommunications group, leaving the conglomerate's more traditional concerns, from the retailer Sanborns to the mining operation Frisco, in one company. How that squares with Mr Slim's track *record of transforming under*performing companies through cost-cut and efficiency drives remains an enigma.

The Telmex stake, which accounts for a third of Carso's profits, should be increased to more than 12.5 per cent as calls and swaps are exercised over the next three years. Carso directors are keen to enter what they think will be a dynamic market for electronic information services and other *forms of multimedia.*

"This is the business where there will be most changes on a world scale," said Mr Fernando Chico Pardo, a Carso *director. However, regulations* inhibit Telmex's participation in information provision, but the spin-off will enable the Carso unit to move into that area.

"Shareholders should be very happy," said Mr Chico. "They will be able to decide whether they are going to stay with the traditional Carso, or the telecommunications business, or both."

But some Telmex shareholders reacted differently. Investors are already concerned about Telmex's prospects after competition in the Mexican long-distance market is permitted *later this year* – the company is obliged to provide its rivals with interconnections to its network from January 1997. Now investors are worrying that the division may have been intended as a way of distancing Carso from Telmex risk. Two days after the Carso announcement, Telmex shares fell 6 per cent, though they have since rallied.

"People know perfectly well who the competition will be," *says Mr Chico, who finds* Telmex's fall and the reasons given for it absurd. He says Carso's low leverage – the debt-equity ratio is 20.5 per cent – gives the company plenty of room to expand, while Telmex (whose debt-equity ratio is an even lower 6.1 per cent) also has plenty of scope to meet challenges from rivals, including AT&T and MCI Communications of the US.

In addition, most of Carso's cash will be taken up by the telecommunications company, while traditional Carso will be left with most of the existing *group debt.*

For a year now, Carso has concentrated on buying Telmex shares. Buying at under $30 – less than half the price of Telmex's peak two years ago – and maintaining a large position in cash has much to recommend it at a time when activity in Mexico's domestic economy has plummeted. Carso's overcapacity in its existing concerns, which helped it reap $500m from exports in 1995, leaves it well placed for a Mexican recovery.

For the first nine months of 1995, it increased sales 5.6 per cent in real peso terms.

The company argues the suggested split will prevent Carso's outlays being diverted into Telmex, with cash flow from its other operations providing a source of financing for expansion of Carso.

It is considering relatively small investments in Mexico's railway sector, which is soon to be privatised, and, later, in its electricity industry, though plans will not *be firmed up until the regula*tory environment becomes clear. However, Carso argues that it is the new telecoms-based company that has the more impressive growth potential. While the industrial grouping should grow in line with Mexico's economy as a whole, the company hopes the spin-off should be able to perform like growth stocks in the US, by tapping into a developing *multimedia market from* scratch.

Carso has some advantages. Information from telephone *bills provides it with an* impressive database for consumer income and preferences. The telephone network is there to be used. But the company provides few details on its plans to enter multimedia, beyond hints about television services and the information superhighway, and its proposal to enter such a new business is quite unlike anything the company has done before.

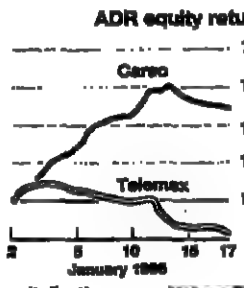
"Mr Slim is a very good operator in terms of running a traditional company," said Mr Félix Boni, head of research at James Capel in Mexico City. "But going on to create something totally new, for the 21st century, is something quite different from his track record."

For years, Mr Slim's austere approach has racked up large profits from Mexican companies. Whether he will do so in the realm of high technology – or whether talk of multimedia is a fig leaf to cover his growing investment in Telmex – will be a key feature in Mexi*can business in the last years* of the 20th century.

COMPANY PROFILE:

Grupo Carso

Market capitalisation	P47.31bn
Main listing	Mexico City
Historic P/E	15.8
Gross yield	0
Earnings per share, 1996	4.48
Current share price	P51.0



Ownership of	(%)	Market capitalisation (Pbn)	Attributable to Carso	Net profit 1995 est (Pbn)
Telmex	8.6	11.818	10.163	10.219
Cigatam	71.1	15.300	10.872	0.850
Condumex	93.6	5.000	5.613	0.500
Nacobre	99.8	1.323	1.320	0.120
Sanborns	79.4	2.693	2.139	0.160
Frisco	97.7	2.240	2.188	0.260
Other	—	3.430	3.430	0.450
Total	—	148.813*	35.729	12.579

*Including Carso

CONTRACTS & TENDERS

The Ministry of Defence has a requirement to provide furnished accommodation for service personnel at a number of locations throughout the UK (excluding Northern Ireland). Currently service personnel are required to find this accommodation themselves and enter agreements with landlords. The MOD wishes to appoint a Service Provider(s), on a UK or regional basis, to obtain, allocate and manage accommodation to the appropriate standards to satisfy all existing and potential future tenants. It is anticipated that this Contract will take the form of a Framework Arrangement and will have a duration of 3 years with an option for an additional 2 years.

A *questionnaire will be issued to all interested parties by contacting:*

Director of Contracts/Central Purchasing,
Ministry of Defence, Procurement Executive,
CP21b, Room 1138, Kentigern House,
65 Brown Street, Glasgow G2 8EX,
Facsimile 0141 224 2057, quoting CP21b/0987

Only those companies that express an interest at this stage and are subsequently accepted by MOD will be invited to tender.

CONTRACTS & TENDERS

THE GAMING COMMISSION OF THE MINISTRY OF THE TREASURY OF THE REPUBLIC OF PANAMA

ANNOUNCES

The Prequalification Process for the Administration of the Hipodromo Presidente Remón and The Operation of its Horse Racing Betting System

The Panama Gaming Commission of the Ministry of the Treasury invites all interested business groups, corporations, consortiums, and persons to participate in the Prequalification Process for the administration of Hipódromo Presidente Remón and the operation of the Horse Racing Betting System in the Republic of Panama.

The Gaming Commission of the Ministry of the Treasury will prequalify those enterprises or persons that comply with all the technical, financial and legal requirements established in the "PREQUALIFICATION CONDITIONS" document which include or require among others, the following:

- Successful experience in the management of racetrack operations similar to those in Hipódromo Presidente Remón in Panama.
- Know-how and strength to develop racetrack betting systems.
- Evidence of financial capacity to execute and implement contract investment obligations.

As the only requirement to participate in the prequalification process, all interested persons must submit to the Unidad Coordinadora para el Proceso de Privatización (ProPrivat), in the place and location identified below, a certified check for US$2,500.00 (TWO THOUSAND FIVE HUNDRED UNITED STATES DOLLARS), payable to the order of TESORO NACIONAL, (non-refundable), to cover application costs. Immediate delivery of the "PREQUALIFICATION CONDITIONS" document will take place, containing among others, details of prequalification requirements to be met.

As of January 25, 1996, the "PREQUALIFICATION CONDITIONS" document will be available in the Unidad Coordinadora para el Proceso de Privatización (ProPrivat), Ministerio de Hacienda y Tesoro, located at Avenida Perú y calle 35, Panama City, *Republic of Panama, between 8:30 a.m. and 4:30 p.m.*

Issued in Panama City, Republic of Panama, January 19, 1996

OLMEDO DAVID MIRANDA JR.
MINISTRO DE HACIENDA Y TESORO Y
PRESIDENTE DE LA JUNTA DE CONTROL DE JUEGOS

FOR ADDITIONAL INFORMATION, PLEASE Contact PROPRIVAT FAX: (507) 227-4620, TEL: (507) 225-6172 or GAMING COMMISSION: TEL/FAX (507) 270-0180

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

HK exchange warns on Hopewell warrants

By Louise Lucas in Hong Kong

A rush of covered call warrants on Hopewell Holdings has prompted the Hong Kong stock exchange to call a moratorium on any further issues on either the infrastructure company itself or its subsidiary, Consolidated Electric Power Asia (Cepa).

Exchange rules forbid warrants on any one stock that take up more than 30 per cent of the free float of that company's shares if converted. However, this is the first time the exchange has given official notice to investment bankers that the threshold is close.

According to the stock exchange, some 29 per cent of the free float of underlying Hopewell and Cepa shares is now covered by warrants.

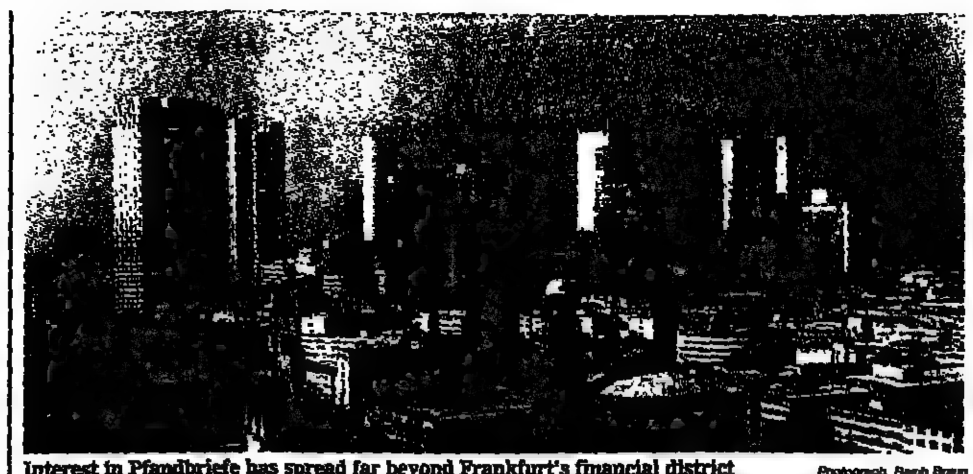
While bankers can continue to launch warrants, the exchange will not sanction their listing. Mr Herbert Hui, deputy chief executive of the exchange, said: "These warrants have been actively traded, so listing is a significant aspect. We felt the bankers should be on notice until there is a bigger threshold after some of the existing warrants expire."

The warning comes as the Hong Kong market is awash with new warrant issues. The derivatives, which give investors the right to buy the underlying shares at a specified strike price and time, are popular in Hong Kong, and rallies on the market are often accompanied by a spate of new issues.

Since the start of the year more than 20 warrant issues have been made on stocks, mainly blue chips. There are 10 existing issues on Hopewell Holdings: the first, on 200m shares, expires on January 30. Barring a big recovery in Hopewell's share price, these warrants are likely to expire worthless as the strike price of HK$6.50 is well beyond yesterday's closing price of HK$5.25.

Reflecting the steady decline in Hopewell's share price, precipitated partially by concerns over mounting debt, the strike price of warrants issued on Hopewell has also come down and the remaining nine issues are all in-the-money: that is, the shares are trading at a price higher than that at which warrant holders can purchase them.

For example, the latest issue bears a strike price of HK$3.62. The last issue, representing 100m shares, was set by Crédit Lyonnais and listed on January 18. The penultimate issue, by Merrill Lynch, also affects 100m shares and again carries a strike price of HK$3.62.



Interest in Pfandbriefe has spread far beyond Frankfurt's financial district — Photograph: Ralph Braun

Israeli combine set for alarm call

Clal is widely seen as a sleeping giant, but a possible change in share ownership may help to attract foreign partners, says Mark Dennis

Clal Israel, the country's second largest industrial conglomerate, is widely regarded as a sleeping giant. The group has impressive assets, with stakes in industries ranging from high technology and insurance to cement and textiles, which account for an aggregate annual turnover of $4.8bn. Clal's companies make up about 12 per cent of the Maof index of leading Israeli stocks.

It is also profitable, with net income of $45.2m for the first nine months of 1995, compared with $30.1m for the same period in 1994. The company plans to expand internationally and attract foreign investors with export-led growth. These merge well with the increasing global orientation of Israel's economy.

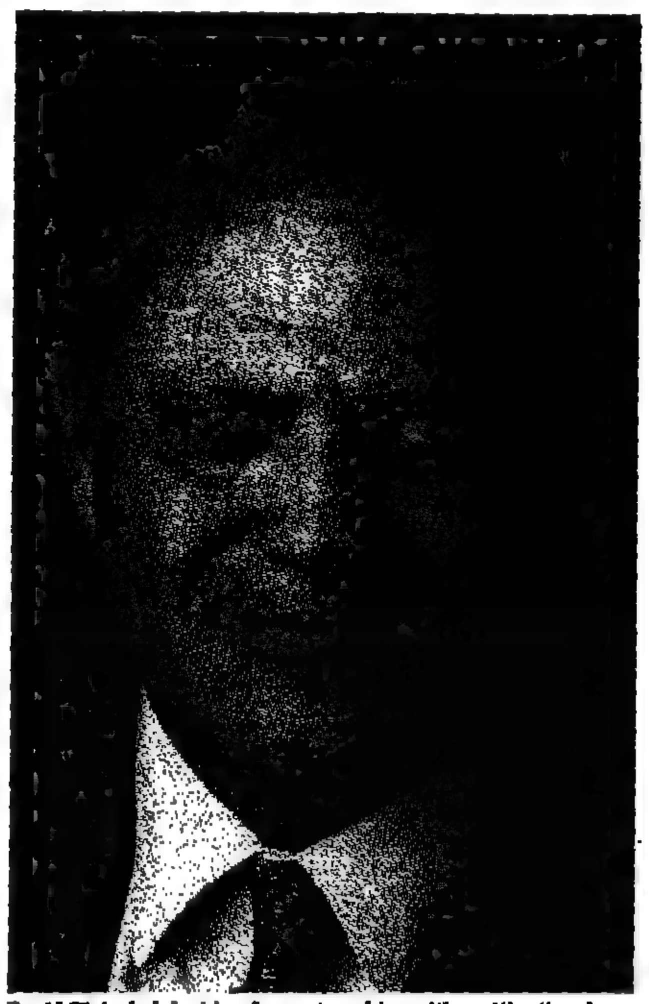
But many in the local capital market perceive Clal as dormant, especially compared with Koor Industries, which is posting record profits and is arguably the country's corporate star performer.

Critics say Clal's management is not open enough with its activities and has not been as aggressive as other companies in signing new deals and attracting foreign investment. Instead, they argue, it has relied too heavily on current holdings. "They haven't lost money, but are losing dominance in the market," says Mr Eran Goren of Zannex Securities. "The company has all the assets but is perceived to be doing nothing."

Mr David Wainshal, chief executive officer, replies that the corporate management at Clal takes a low profile, preferring to quietly manage its diverse portfolio. "It's a matter of public relations," said Mr Wainshal, from his office overlooking Tel Aviv and the Mediterranean. "In Clal we try to give credits to managers in the subsidiaries."

Clal is a multi-layered holding company, with more than 150 subsidiaries to which it provides financing and management expertise. It is engaged in three main activities; industry, services and real estate development; and two smaller spheres, commercial trading and tourism. Clal and its holding-company subsidiaries, Clal Industries, Clal Electronics, Clal Insurance, Azorim, and Clal Trading are all listed on the Tel Aviv stock exchange.

Clal was founded 33 years ago as a type of emerging market fund by a group of South American Jews looking to invest in Israel. It grew rapidly in the 1970s through mergers and acquisitions, becoming the leading investment company in the country.



David Wainshal: looking for partnerships with multinationals

Its original management departed in 1989, but, along with the rest of the Israeli economy, Clal grew quickly in the early 1990s, rapidly increasing profits from little more than zero in 1989 to $81.2m in 1993.

Clal Industries, which includes both high-tech and basic industrial companies, accounted for 70 per cent of the group's profits for the first nine months of 1995 with Shk122.3m ($39.1m). The core of its investments include metal, paper, textiles, food and cement, which account for more than 45 per cent of total assets. One of its most profitable holdings is the Mashav group, which invests in energy, cement and paint and had 1994 sales of $788m.

With a mixture of world-class and start-up companies, Clal Electronics, a subsidiary of Clal Industries, is the group's high-tech holding company. Its two largest holdings, Scitex, a world leader in computerised colour imaging systems, and ECI Telecom, a telecommunications equipment company, are both multinationals listed on US stock exchanges. Its Shk32.6m profits accounted for 18.7 per cent of the group total.

Clal is forging deals with foreign companies though, say critics, at a slow pace compared with its potential

Israel's insurance industry is dominated by Clal Insurance Enterprise, which controls 27 per cent of the market. Clal's other divisions include Clal Trading, which accounted for 8 per cent of group profits; Azorim, Israel's largest real estate development company, which totaled 12.3 per cent of profits; and Batucha Securities and Investments, Israel's largest non-banking brokerage house.

Mr Wainshal says the company intends to take advantage of increased foreign interest in Israel and the opening of new markets to Israeli products to expand its global reach. "We are looking for partnerships with multinationals," said Mr Wainshal. "We have a small market... if we want to grow we have to find ways to sell in the international market."

Clal is starting to forge deals with foreign companies though, critics argue, at a slow rate compared with its potential. It recently bought a 15 per cent stake in Pharmaceutical Resources, a US pharmaceutical company, and struck a deal with Accor, the French hotel chain. In addition, it is in negotiations with Pillsbury to invest in its food holdings.

For the moment, much in line with Mr Wainshal's philosophy, investors are concentrating on Clal's profitable subsidiaries and mostly avoiding the parent company. "Clal has some very attractive subsidiaries – both Clal Insurance and Clal Electronics are undervalued," said one analyst. "But we would like to hear more about what is being done in this massive group. I tend not to invest in things when I don't know what's behind them."

Potential changes in Clal's equity shareholders may create interest in the parent company. A ruling expected to be passed soon by the Israeli parliament will require Bank Hapoalim, Israel's largest, to divest from either Clal, in which it has a 36 per cent stake, or from Koor, in which it has a 25 per cent stake. Analysts anticipate Hapoalim will divest from Clal, which is likely to mean the sale of an equity stake because market turnover on the Tel Aviv exchange is too small to absorb all the shares.

This could provide the company with a chance to attract a foreign strategic partner. "It is too early to speculate," said Mr Wainshal. "[But] a strategic partner from abroad would contribute to our philosophy."

Singapore Telecom targets Asia for growth

Singapore Telecom, the island state's biggest company, expects to continue growing rapidly and is still scouting for opportunities overseas to invest its growing profits, Reuter reports from Singapore.

The company, knowing that with coming deregulation it will lose its near-monopoly of telecommunications in Singapore, has just bought a large share of Belgacom, the Belgian telephone company. It is also considering buying a stake in Telecom Eireann, the Irish state utility.

Mr Lee Hsien Yang, ST's president and chief executive, said in an interview that the cash-rich Singapore Telecom was on track for double-digit growth in net profit in the current financial year to end-March.

"If you extrapolate the half-year, we will be about S$1.5bn (US$1.06bn) [for the full year]", he said.

Singapore Telecom, with a market capitalisation of about S$45bn, saw a 9.5 per cent year-on-year rise in net profit to S$742.5m for the six months to end-September. Turnover in the period was S$1.96bn.

Mr Lee, son of Singapore's long-time leader Mr Lee Kuan Yew, said he knew the company would face increasing competition at home over the coming years and needed to look abroad to expand.

"We would like to invest in Singapore, but given the cash-flow generation of our business and the limited opportunities that exist in Singapore, without the risk of over-investing, one has to look elsewhere," he said.

"From the point of view of entering new markets, diversifying our geographical risk, and making use of the expertise and knowledge that exists within the company, it makes sense for us to go overseas," he added.

Singapore Telecom was part of a three-way consortium, led by Ameritech of the US, that was awarded a share of just under 50 per cent of Belgacom in December. The third partner in the consortium is Tele Danmark.

But Mr Lee said the company wanted to concentrate increasingly on Asia.

"Because of the different pace of deregulation in Europe versus Asia-Pacific, I think the opportunities have been greater in Europe," he said.

DM-hungry investors find their taste for Pfandbriefe

German bankers are beginning to reap the rewards for their tireless campaign to attract international investors to one of Europe's biggest bond markets.

The market for Pfandbriefe – bonds collateralised by public-sector or mortgage loans – has traditionally been dominated by German institutions, but has long been dismissed by international fund managers as illiquid, non-transparent and parochial.

However, attracted by the recent bull run in D-Mark bonds, a much broader range of investors has been showing interest – not only in Switzerland and Luxembourg, where most of the money invested in Pfandbriefe is of German origin anyway, but as far afield as Asia.

The real test of international appetite will come next week, when DePfa Bank, Germany's largest public-sector lender and Pfandbrief issuer, launches the first global Pfandbrief issue, an expected DM1.5bn to DM2bn ($1.35bn) of public-sector bonds.

Some say the timing could not be better. "At the moment, D-Mark bonds – especially longer-dated ones, which represent the typical Pfandbrief maturity – are very popular with international investors," says Mr Manfred Ludwig, head of bond syndicate at Merrill Lynch in Frankfurt.

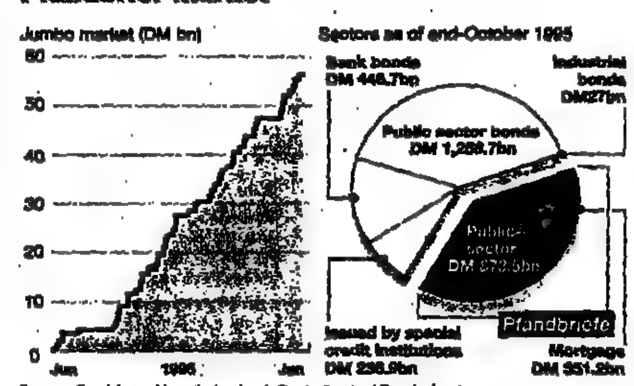
International investors have recently been keen buyers of long-dated D-Mark bonds which, thanks to the steep upward sloping German yield curve, offer a substantial pick-up over shorter bonds. Many US investors in particular have been buying long bunds to benefit from their outperformance of US Treasuries, expected to continue in the coming months.

The internationalisation of the huge Pfandbrief market – roughly equal in size to total outstandings of federal and state government bonds – has been engineered by Germany's leading Pfandbrief issuers. In recent months they have sought to boost the market's attractiveness by issuing liquid benchmark bonds – so-called jumbo Pfandbriefs.

These would be traded in line with international market practices, with several banks making a market in the bonds and quoting a tight bid-offer spread.

Boosted by higher public-sector borrowing, the market has continued to grow: last year, a record DM240bn of Pfandbriefe were issued, DM45bn of which were jumbos. Of the DM1.22bn of Pfandbriefe outstanding at the end of October 1995, about 71 per cent were public-sector bonds (öffentliche Pfandbriefe) and 29 per cent were mortgage bonds (Hypothekenpfandbriefe). Pfandbriefe are backed by their issuers and a government-appointed trustee who ensures that the collateral securing the issue is adequate. No Pfandbrief has ever defaulted.

Pfandbrief market



Source: Frankfurter Hypothekenbank Centralboden/ Bundesbank

Last week saw the market make two further steps towards increased internationalisation: the first Pfandbrief credit rating – Moody's rated DePfa's public-sector bonds triple-A and its mortgage bonds Aa1 – and the first eurobond-style Pfandbrief offering: a DM1.5bn issue of 10-year bonds for Bayerische Vereinsbank, priced at a yield spread over bunds and with a US house, Merrill Lynch, acting as a joint book runner and a large number of non-German banks featuring as underwriters.

Mr Stephan Bub, head of treasury at Bayerische Vereinsbank, says: "The issue went very well – about 40 per cent of the issue was placed in Asia and more than 60 per cent went abroad. International investors' understanding of Pfandbriefe has improved significantly, and Moody's rating [of DePfa's paper] helped a lot. We are in the process of getting a rating ourselves."

DePfa hopes to place between 60 per cent and 70 per cent of its global bond outside Germany, with about 30 per cent in Asia and 10 per cent to 20 per cent in the US. To reinforce the global feel of the issue, DePfa will require underwriters to trade the bonds at their liquid eurobond or global bond desks, rather than their Pfandbrief desks.

"If this issue is seen as just another Pfandbrief it will have a domestic flavour and that wouldn't work," says Mr Frank Rühland, DePfa's treasurer.

Foreign banks in Germany are gearing up for a bigger presence in the market, helped by the fact that the fees on Pfandbriefe are expected to approach those on eurobonds, which are significantly higher.

"If you're underwriting a huge Pfandbrief and are marketing it abroad, the risks and efforts involved are much greater, and deserve a higher reward," says one syndicate official. DePfa's issue will be the first Pfandbrief issue with eurobond fees.

Germany's leading Pfandbrief issuers are considering further ways of streamlining the market: establishing a strict definition of what should constitute a "jumbo" Pfandbrief, to differentiate them from smaller, less liquid issues; standardising coupons; standardising redemptions so that there are only four maturity dates each year; Frankfurt stock exchange listings for all Pfandbrief issues; encouraging greater involvement of foreign banks in underwriting syndicates to ensure foreign placement; standardising new-issue documentation for jumbo Pfandbriefe; obtaining credit ratings for all jumbos; and the establishment of a Pfandbrief futures contract on Germany's derivatives exchange, DTB.

Some are even forecasting the arrival of foreign-currency Pfandbriefe. Mr Bub, at Bayerische Vereinsbank, says: "I think this year will see the first non-D-Mark Pfandbrief – it is the next step this market has to take."

Conner Middelmann

'Substantial cuts' in labour costs to follow strategic review

Second warning by WH Smith

By Peggy Hollinger

WH Smith, the high street retailer, yesterday issued its second profits warning in less than a year as it unveiled a wide-ranging strategic review aimed at reviving its business.

Mr Jeremy Hardie, chairman, admitted the group had not "handled the creation of shareholder value at all well in the past four to five years", as he warned that Smith would find it difficult to beat last year's second half profits of £70m ($108m).

He said the sharp drop in interim profits from £45.2m to £17.3m on sales 11 per cent higher at £1.4bn was nothing less than disappointing, even though the fall was partly due to £20m in redundancy, reorganisation and increased advertising costs. "Plainly we have questions to answer."

However barring unforeseen circumstances, Smith hopes to be able to maintain the final dividend. The interim was held at 5.25p although earnings per share fell from 11.2p to 4p.

Smith has been caught out by severe competition from supermarkets in magazine and book retailing, upheaval in the newspaper distribution industry and an increasingly competitive music sector. Efforts to protect sales have taken a heavy toll on margins.

The market had expected grim interim figures following trading statements in October, but analysts cut full year expectations from about £100m to between £75m and £85m.

The shares were unchanged at 407p, with most of the market's attention focused on the strategic review outlined by Mr Bill Cockburn, the former Post Office chief executive drafted in to rejuvenate the company. The review, which is due in May.

Mr Cockburn said he intends to examine all parts of the business with a view to making substantial cuts in labour costs. This was likely to involve further provisions for redundancies and possibly closures, according to analysts.

The core retail division suffered in the first half, showing a fall in operating profits from £26.3m to £12.3m and the US businesses suffered a £900,000 drop in operating profits from £3.6m to £2.7m on sales 7 per cent higher at £437.5m.

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Trevor Humphries

Looking to the future: Bill Cockburn holding a CD which can store the OED, held by Jeremy Hardie

Forte family decides to accept Granada offer

By David Blackwell, Scheherazade Daneshkhu and Clay Harris

The Forte family and directors, who hold 8.4 per cent of the shares, said yesterday they would accept Granada Group's offer. The hotels group, which on Tuesday succumbed to Granada's £3.9bn ($6bn) hostile bid, also recommended that other shareholders should accept or sell their shares in the market.

Directors said: "It would not be in the interests of shareholders to remain as a minority within a company controlled by Granada."

Granada's cash alternative and share election closes on February 6.

Granada's shares closed above 700p for the first time yesterday, in the wake of its victory. Its closing price of 707p, up 29p, values the cash and paper offer at 390.5p per Forte share. Forte gained 14p to 398p.

Analysts said Granada's annual meeting yesterday had been positive and institutional shareholders were still adjusting their holdings. "If everything goes according to plan with disposals, there is still some upside in these shares," said one.

However IBCA, the European credit rating agency, yesterday lowered Granada's long-term rating from A to A–. The agency cited the increased financial risk following the "change in the nature of the group", the substantial rise in gearing, and the unknown timing and proceeds of disposals. IBCA said the exact value of the planned disposal of Forte's Exclusive and Méridien chains were not yet known.

Asked after its annual meeting if Granada would be picking up the tab for the Forte camp's wake on Tuesday night, Mr Gerry Robinson, chief executive, said: "We most certainly will be. I certainly hope they enjoyed themselves, and I hope they made the appropriate margin at the Café Royal."

He also dismissed some of the numbers mentioned on the costs of the hotels disposal plan as "bloody silly" and "out by a factor of 10 or even 20". Costs would "not be more than £10m in total".

It appears that Regal Hotel Group will face competition for its planned £122m purchase of most of the White Hart Hotels in a deal agreed with Forte last week. Mr Ronald Cohen, chairman of Apax Partners, the venture capitalists, said that his firm remained interested.

Apax was the financial backer of Oriel Leisure, which was planning to buy White Hart. But Apax pulled out just before Christmas in an argument over price.

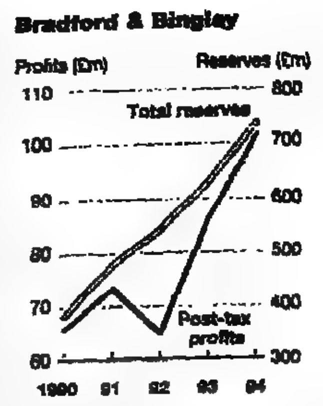
Meanwhile fund managers yesterday, reacting to criticisms of short-termism in the City, stressed the decision had been difficult. "I remain nervous – and I would rather not have had to take the decision at all," said one. He added that a couple of years might pass before any benefits were seen.

LEX COMMENT

Building societies

The whole point of mutual status is that, having no shareholders to satisfy, customers are supposed to benefit. Schemes like yesterday's profit-sharing plan from Bradford & Bingley might, at long last, actually make this happen. By spending some of its profits on narrowing margins between mortgage and deposit rates, B&B will reward its customers and also gain some commercial edge. The snag is that none of this goes far enough. For a start, the benefits to customers look too mean. Building societies like B&B have far too much capital and the surplus is growing fast. Paying out about 30 per cent of profits will not even halt this growth, let alone get the capital base down to a sensible level.

Bradford & Bingley



Source: Bradford & Bingley

Nor is the scheme likely to help B&B's business much. Slightly lower mortgage rates across the board may do something to discourage existing borrowers from switching, but they are unlikely to be enough to attract many new ones. Moreover with new borrowers scarce, attracting more depositors does not look good news.

These schemes are no substitute for the disciplines big shareholders would bring. By directing profits into differential rates, they lack the transparency of a dividend payment: no-one will know what rates would have been without them.

For this reason, they are unlikely to offer much protection against a determined bidder offering members cash up-front. If mutuals are hoping to stave off the long-run trend towards demutualisation, they are unlikely to be successful.

Split trusts strive for immortality

Managers want to keep the funds in their care, writes Roger Taylor

It is not often investment management companies pay their customers to stick with them, but M&G now finds itself in this position.

It has set up one investment trust, M&G Equity, to bid for another of its investment trusts, M&G Dual. Shareholders who accept will have the value of their investment increased by 3 per cent. The reason for this unusually generous offer is that M&G Dual has less than 12 months to live.

If M&G does nothing, it risks watching £145m ($220m) of funds walk out the door. Managers' fees are commonly calculated as a percentage of the sum managed.

M&G Dual is just one of a large number of investment trusts currently approaching the end of their lives. The table shows £1.8bn in trusts with less than three years to go.

These are all split capital trusts – complex investment vehicles with a range of share classes. Income shares receive all the income from the trust, and may or may not be entitled to a return of capital. Zero dividend preference shares receive no income but have fixed payout at the end of the trust's life. Capital shares are entitled to whatever assets remain once other share classes have been paid.

The need to distribute capital between different share classes means that trusts must have a date on which they are wound up. The assets are then sold and the cash distributed to shareholders.

This is the only way that shareholders can be sure of realising the full value of their investment. Most of the time, the shares tend to trade at a discount to the value of the underlying assets in the trust.

However, at the end of a trust's life a large number of shareholders will want to remain invested, and investment managers are keen to hold on to as much of this money as possible.

The preferred way of doing this is to set up a new split capital trust which then bids for the old. Those shareholders who wish to remain invested accept the bid. Those who want cash hang on to their old shares until wind-up.

The existing manager almost always tries to keep control of its own funds. M&G has set up M&G Equity which is now bidding for M&G Dual and which may well make a bid for M&G Second Dual in due course. Fleming has recently announced it is launching a new fund, which may be used to bid for Fleming International High Income.

In theory, anyone could put in a bid to take over these funds. There has been some speculation that aggressive managers might try and use wind-ups as an opportunity to take over weaker trusts.

In practice, hostile bids are rare. Mr John Korwin-Szymanowski, investment trust analyst at SBC Warburg, said: "There is a reluctance to challenge the big management houses over their funds." However, smaller trusts without large management companies, such as Yeoman or St David's, could become targets.

Gartmore did try a hostile bid for Sphere Investment Trust last year, through its Gartmore Shared Equity Investment Trust. Sphere's board had lined up Guinness Flight to organise a roll-over into its new trust, Guinness Flight Extra Income. A bitter war of words ensued, but in the end most shareholders ignored the Gartmore offer.

Another potential problem for managers is the independent directors. Each investment trust is an independent company and the Stock Exchange requires each board of directors should be independent of the manager. The independent directors may reject a bid from the trusts' managers.

Directors of River Plate & General tried this last year with little success. River Plate was managed by Jupiter Asset Management, which launched Jupiter Split Trust, the largest investment trust launch last year, to bid for River Plate.

The offer was generous to one class of shares – zero dividends – but less generous to both the capital and the income shares.

The independent directors recommended that holders of the latter should reject the bid. Despite this, Jupiter won. The subsequent statement from the independent directors concluded mournfully: "there is a likelihood that Jupiter would wish to consider replacing the independent directors".

Countdown to wind-up

Name	Total Assets £m	Average 1 Year Discount	Wind-up Date
Fleming Intl. High Income	132	0.1	05/10/96
River Plate	113	-1.0	31/10/96
Hong Kong	30	-2.0	31/12/96
M&G Dual	145	2.2	31/12/96
S&P Linked	76	5.9	01/01/97
I&S Optimum Income	69	-1.3	26/03/97
M&G Second Dual	76	0.7	01/12/97
General Consolidated	122	1.6	31/12/97
TR Technology	334	12.5	30/04/98
Invesco Blue Chip	30	-4.2	10/05/98
Abtrust Preferred Inc.	47	-12.3	31/05/98
Kleinwort High Income	61	-3.3	30/06/98
Murray Split Capital	27	0.9	31/08/98
Scottish National	418	0.3	30/09/98
Invesco Recovery	21	-1.2	18/11/98
St David's	28	-2.1	30/11/98
Yeoman	82	2.3	31/12/99

Source: NatWest Securities

Smurfit Corp rises sharply to $64m

Jefferson Smurfit Corporation, the US associate of Jefferson Smurfit, the Irish paper group, sharply increased net income in its final quarter from $22.9m to $63.7m, aided by strong prices for all of its main products.

The outcome for the year to December 31 of $243.1m, compared with a $43.1m loss previously, reflected favourable market conditions and increased operating efficiencies.

Net sales for the quarter rose to $972.8m ($881.3m), reaching $4.1bn ($3.28bn) for the year.

During the year debt was reduced by $264m.

Earnings per share reached $0.57 ($0.21), making the year's total $2.19 ($0.43).

British Gas board shake up continues

By Robert Corzine

British Gas yesterday launched the second phase of its most ambitious board shake-up since privatisation in 1986 with the appointment of two new executive directors and a realignment of responsibilities among top managers.

Mr Philip Hampton, finance director at British Steel, takes a similar post at British Gas at an annual salary of £285,000. He will replace Mr Roy Gardner who has been given responsibility for solving two of British Gas' biggest challenges: renegotiating £40bn ($63bn) of disputed long-term gas contracts with producers; and developing a strategy for when its monopoly to supply 19m households ends.

Mr John Wybrew, a Shell UK executive involved in last year's Brent Spar fiasco, will join the board as the £275,000-a-year head of strategic planning and corporate affairs, including public relations.

It is the first time that corporate affairs has been elevated to board level, and comes after a string of public relations and political gaffes by British Gas over executive pay and falling service standards.

The board re-organisation began last October with the departure of three executive directors.

Mr Gardner's new role is expected to reinforce speculation that he is the favoured internal candidate to succeed Mr Cedric Brown as chief executive, although the company said yesterday Mr Brown has no plans to step down.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Biotechnology Invs ☆	6 mths to Nov 30	-	(-)	2.39L#	(1.64L#)	4.3L	(3L)	-	-	-	-	-
Bunton	6 mths to Oct 31	0.047	(0.24)	0.025L	(0.034L)	0.04L	(0.05L)	-	-	-	-	nil
Media Business	6 mths to Oct 31	49	(44.1)	0.412	(0.317)	0.12	(0.10)	0.03	Mar 8	0.01	-	0.12
Menvier-Swain	6 mths to Oct 31	45.5	(41.1)	5.91	(5.17)	8	(6.9)	[illegible]	Apr 9	1.8	-	5.1
Prospect Inds	Yr to Sept 30	81.6	(67.4)	21.3L♠	(5.91)	7.24L	(2.35)	0.025	Apr 9	0.58	0.125	0.65
Shield	6 mths to Sept 30	0.517	(2.13)	0.178L	(0.324L)	5.1L	(6.7L)	-	-	-	-	nil
Smith (WH)	6 mths to Dec 2	1,356	(1,221)	17.3	(45.2)	4	(11.2)	5.25	Apr 1	5.25	-	15.65
Surrey Free Inns Φ	24 wks to Nov 19	5.79	(5.5)	0.606	(0.393)	6	(3.6)	1	Apr 30	0.8	-	1.8
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Dunedin Japan	6 mths to Dec 31	89.3	(92.3)	0.01L	(0.012L)	0.05L	(0.08L)	-	-	-	-	-
Exmoor Dual	3 mths to Nov 30	35.43	(46.07)	0.182	(0.104)	2.06	(1.18)	1.6	Feb 26	2.25	-	9.05
Murray Income	6 mths to Dec 31	376.2	(319.4)	34.8	(10.4)	40.31	(12.07)	‡	-	-	13.2	12

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☆US currency. #Post tax. ♠After exceptional charge. ΦAim stock. ‡Three interims of 2.7p apiece already announced; proposed final of 5.1p confirmed.

First Maryland ends strongly in record year

Allied Irish Bank's US subsidiary, First Maryland Bancorp,has reported record net income of $120.2m for the year to December 31, up 8 per cent from last year's $111.1m. The last quarter saw a 11 per cent increase from $28.5 to $31.6m.

Mr Tom Mulcahy, AIB's chief executive, said the result reflected strong growth in core earnings helped by a 12.5 per cent increase in the loan portfolio.

The company benefited from lower non-interest expenses, higher net interest income and lower provisions for credit losses.

Continental rise helps lift Menvier

By Geoff Dyer

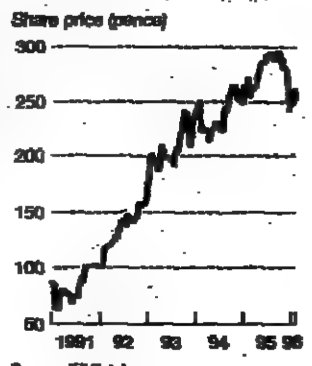
A strong performance in continental Europe, in spite of faltering market conditions, allowed Menvier-Swain Group, the emergency lighting and alarms maker, to increase interim pre-tax profits by 14 per cent. The shares rose 13p to 266p on the news that pre-tax profits in the six months to October 31 had advanced from £5.17m to £5.91m ($9m) on turnover up 11 per cent.

The group also disclosed that it would take a £1.2m charge on full-year profits related to the £10.5m acquisition in November of Scantronic, the security components company.

Profits from continental Europe rose 57 per cent. Nugelec, the French fire alarms company, increased sales by nearly 50 per cent, in what analysts claimed had been a difficult market. In the Netherlands sales grew 30 per cent. However, the German operation recorded losses of £200,000.

Mr Roger Fletcher, chief executive, said the improvement in group profits was partly connected to European directives imposing tighter workplace safety standards.

Menvier-Swain



Source: FT Extel

UK profits fell to £2.42m (£3.01m), with emergency lighting sales and margins declining. However, sales in the security sector were ahead.

Mr Fletcher said that for the full year, in addition to the charge against profits resulting from the Scantronic acquisition, which included a £780,000 pay-off for Mr Chris Brookes, the former chief executive, there would also be a £3.5m balance sheet provision.

The group was trying to sell Alarmexpress and would probably seek a buyer for Scantronic's US operation.

COMMODITIES AND AGRICULTURE

Japanese buyers abandon their coal pricing cartel

By Gerard McCloskey

Japanese steel mills, led by Nippon Steel, have embarked upon a coal pricing revolution.

Until this year the annual round of price and tonnage negotiations saw a unified front from Nippon Steel and the other four big blast furnace mills – Kobe, Kawasaki, Sumitomo and Nippon Kokan – hammering out price and tonnage levels with a single Australian or Canadian producer. These prices then became the benchmark for a range of hard coking coals with poorer qualities priced at lower levels depending on their coking characteristics.

Last year's settlements, which had in previous years served the mills well, saw the mechanism backfire, however, when Canadian and Australian suppliers adopted a firm and unified stance against the might of the Japanese buyers, forcing a $5.65-a-tonne rise.

The mills have now ditched the system and replaced it with what they have dubbed the "Fair Treatment System", which will result in much less uniformity among price levels of different coals. Already some agreements have been struck, with Canada's Luscar last week winning a $1.50 rise and some US suppliers conceding small price cuts or accepting roll-overs.

In previous years, Luscar's $1.50 rise would have been passed on to all Australian and Canadian producers for their grudging acceptance. In the agreement made last week, however, Nippon Steel made it clear that no longer would a single price effectively cover the whole industry. Not only will Australian producers not be asked to agree to this level, but even other Canadian producers will feel free to fight for the values of their own coals individually.

For the Australians too, the price set for the top-ranking coal from the Goonyella mine, operated by BHP Australia, is unlikely to be offered to as many coals of different quality as in the past. The result will be a much wider range of price levels.

In a separate development on supplies of semi-soft coking coal from New South Wales (a poorer quality than hard coking coal and priced some $8.50 a tonne lower) an agreement has been struck for an increase of less than $2. This is unprecedented, with semi-soft coals having followed the hard coking coal settlements ever since the introduction of this poorer quality in the 1980s.

The implications of this development will be extensive. Not only did the other Japanese mills – albeit sometimes unenthusiastically – follow the lead of Nippon Steel, but coking coal buyers in South Korea, Taiwan and, from 1995, India, all accepted the JSM agreements as their benchmark.

The knock-on will not be limited to coking coal. In past years the coal-buying Japanese electric power companies would have reached agreements immediately after those struck by the steel mills the with a discount on the semi-soft price. Not only would that become the steam coal price for all the other Japanese power companies, but in their wake tonnages sold to Korean Electric Power and Taiwan Power Corporation would be geared to those settlements.

At Nippon Steel's instigation all this will now come to an end and a relatively more varied, though probably much less transparent, market will emerge. For years many coal producers, particularly in the Australian industry, have been calling for an end to the Japanese cartel buying practices. This is effectively what has emerged since, not only are the mills paying a wider range of prices than before for different qualities, but different mills are likely to want different price levels for the same coal, depending on its value to their blend.

Australian/Japanese hard coking coal settlements (US$ a tonne)

1995	51.10
1994	45.45
1993	49.30
1992	51.30
1991	51.80
1990	52.80
1989	50.40
1988	46.90
1987	44.00
1986	49.00

Source: McCloskey Coal Information Services

Barrick plans to double output at Chilean gold mine

By Kenneth Gooding, Mining Correspondent, in Santiago

Only 16 months after acquiring El Indio, Chile's biggest gold mine, Barrick Gold of Canada has plans to double production to about 400,000 troy ounces a year. Output at the nearby Tambo Mine, which started up only last April, is also likely to be expanded by 25 per cent to 125,,000 ounces.

Last year the two mines produced about 325,000 ounces between them and in 1996 this should increase to at least 360,000.

Barrick acquired the El Indio complex with its US$1.66bn takeover of Lac Minerals, a rival Canadian group in September 1994. The property, covering 1,300 sq km and more than 4,000m up in the Andes, is now Barrick's most important long-term asset after the Goldstrike Mine in Nevada, which contains most of the company's reserves and produces most of its profits and cash flow.

Barrick says it will spend about US$500m at El Indio by the end of 1998. This assumes that the Nevada discovery will become a mine in that year. Mr John Lill, president of Barrick Chile, says that Nevada may have considerably more ore than first thought, so the anticipated rate of output – 200,000 ounces a year – may change. He adds, however, that a decision to mine will not be made until April. If Barrick goes ahead capital costs will be high because of the remoteness of the site and the fact that Nevada will not use El Indio's existing infrastructure. Costs are estimated at about US$175m.

To double output at the El Indio mine, located 190km from the seaside town of La Serena and near the Argentine border, will cost between US$150m and US$200m, he suggests. A decision about the timing will have to wait until indications that there may be more ore to the north of the present mine have been fully checked out. "Its amazing, but although this mine has been operating since 1979 we still do not know what reserves we have here," says Mr Lill.

However there already is enough ore identified at the mine to make expansion possible and by early next year Barrick will have completed sinking a US$37m, 545m, underground shaft through which it will be able to hoist 5,000 tonnes of material a day, enough to cope with the expanded output.

The shaft will also enable underground exploration of the mine. So far only the top third of a deposit stretching at least 1,200m deep has been properly investigated.

Barrick believes the El Indio gold belt is one of the most prospective in the world and will spend at least US$30m exploring it this year.

The group is also spending US$38.3m at El Indio on plant improvements, projects that started soon after the Lac takeover and should be completed by the end of this year. Of this, some US$21.7m will be spent to rehabilitate the roaster, which has been allowed to deteriorate but is needed because the ore contains about 6 per cent arsenic. El Indio is the world's biggest suppliers of arsenic trioxide, used in wood preservative.

Another US$16.6m will be spent to improve the concentrator and increase its capacity marginally by eliminating bottlenecks.

Welfare expert opposes use of milk-booster hormone

By Alison Maitland

Britain should not authorise use of BST, the hormone which boosts milk production in cows, until there is comprehensive evidence about its impact on animal health, a welfare expert said yesterday.

BST (bovine somatotrophin) was licensed in the US in 1994. But European Union agriculture ministers agreed in December 1994 to extend a ban on its use until the end of the present decade, in view of concern over a consumer backlash and fears that increased supply would conflict with milk production quotas.

The European Commission is due to report on further scientific trials by 1998.

Professor Donald Broom, of Cambridge University's veterinary school, told the House of Commons agriculture select committee: "BST shouldn't be used at all unless there's been a proper study of the effect on the welfare of cows."

He said scientific evidence showed use of BST, an artificial version of a hormone that occurs naturally in cows,led to an increased likelihood of mastitis, lameness and other disorders when used to boost output in high-yielding cows.

But it was not yet known whether lower-yielding dairy cows were similarly affected.

He said BST might be useful to vets in treating ailing cows, but alternatives were available.

The committee, which is inquiring into the UK and EU dairy market, was told that 30 to 40 per cent of dairy cows suffered lameness, compared with only 6 per cent in 1970.

Professor Broom said most cases of foot rot were caused by animals having to stand in wet passages because of outdated accommodation. "There are quite a lot of dairy cows whose welfare is rather poor."

Mr Tim O'Brien of Compassion in World Farming, a welfare campaign group, said selective breeding for high milk output had put cows at greater risk of infection.

Some dairy cows produce 50 litres of milk a day, compared with about 10 litres produced by suckler cows.

Professor Broom backed the concept of sperm sexing, to separate potential male and female sperm, as a useful tool in farm management. "It would be enormously important if we could avoid producing unwanted male animals," he said.

● Compassion in World Farming yesterday launched a new campaign to end live exports of calves and sheep to the continent. It aims to persuade EU member states to recognise animals as "sentient beings".

"Because they are classified as goods, animals are subject to the treaty's free trade rules. If the treaty recognised animals as sentient beings, the EU may be forced to accept that the 'goods' in which there should be free trade is meat, not live animals," said the group.

Further gold price rise forecast

Gold should rise from its present levels to about US$480 a troy ounce in the next six months, Morgan Stockbroking economist Michael Knox said yesterday, reports Reuters from Brisbane.

"Whether an absence of eastern European sales allows this to occur is a separate question," he said in a report.

Mr Knox claimed Morgan's estimates in late 1995 provided an early indication of the new year rally. He said an increase in the investment demand for money would generate an increase in the investment demand for gold.

"Since the supply of gold is relatively fixed, increases in the investment demand for gold should generate increases in the gold price," he explained.

To the extent that investment demand drove the gold price, the future price of gold in US dollars should equal the inverse of the US long bond yield, divided by the US price level, multiplied by a constant, Mr Knox said.

US Congress 'may suspend Farm Acts', says committee chairman

Senate Agriculture Committee chairman Mr Richard Lugar believes Congress may suspend the 1949 and 1938 Farm Acts so that legislators can develop a new Farm Bill, reports Reuters from Washington.

"The general feeling now is that we are probably headed for either legislation going the normal route through the two agriculture committees and floor action, or an extension of the current act for one or two years," he said after a meeting on Tuesday with Mr Dan Glickman, the agriculture secretary, and congressional farm leaders.

In the second case, the extension of the current Farm Bill would include revisions giving farmers greater flexibility and could also include modifications of advanced deficiency payments, Mr Lugar, an Indiana Republican, said in a statement.

If no deal was struck, US agricultural legislation would revert automatically to the provisions of the 1949 and 1938 Farm Acts.

"The Clinton Administration. . . say they want to reinvent government, but going backwards 47 years certainly sounds like something else." Lugar said.

Russia exported more aluminium in 1995

Russia's aluminium exports outside the former Soviet Union in 1995 totalled 2.37m tonnes, up from 1994's 2.3m, according to estimates by the State Metallurgy Committee, reports Reuters from Moscow. It estimated Russia's non-FSU nickel exports in 1995 at 139,400 tonnes, up sharply from 103,800 tonnes in 1994.

The committee's figures, usually considered reliable, were based on information from the State Statistics Committee and metal producers.

It also said Russia's total output of all ores and concentrates was 748,300 tonnes in 1995, up from 521,700 tonnes in 1994. Non-FSU exports of zinc in 1995 were 60,900 tonnes, down from 1994's 86,100 tonnes; of tin, 6,700 tonnes, down from 7,600 tonnes; and of lead, 1,400 tonnes from 1,600 tonnes.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1560-61	1590-91
Previous	1547-48	1575-76
High/low	1534.5/1534	1583/1563
AM Official	1534-34.5	1564.5-65.0
Kerb close		1582-85
Open int.	216,383	
Total daily turnover	37,212	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1360-70	1395-400
Previous	1365-65	1395-98
High/low		1390
AM Official	1348-55	1380-85
Kerb close		1395-400
Open int.	4,720	
Total daily turnover	1,200	

■ LEAD ($ per tonne)

Close	734-35	727-28
Previous	722.5-23.0	717-18
High/low	728	731/719
AM Official	727-8	721-22
Kerb close		727-8
Open int.	32,444	
Total daily turnover	6,828	

■ NICKEL ($ per tonne)

Close	8260-70	8355-60
Previous	8225-35	8325-30
High/low	8115/8090	8410/8200
AM Official	8115-16	8210-15
Kerb close		8350-60
Open int.	40,778	
Total daily turnover	18,671	

■ TIN ($ per tonne)

Close	6295-305	6330-35
Previous	6265-75	6300-10
High/low	6290	6340/6315
AM Official	6285-90	6315-20
Kerb close		6330-35
Open int.	14,784	
Total daily turnover	3,284	

■ ZINC, special high grade ($ per tonne)

Close	1045.5-46.5	1067-68
Previous	1023.5-4.5	1045-46
High/low	1029/1028	1071/1050
AM Official	1028-29.5	1051-52
Kerb close		1066-67
Open int.	74,978	
Total daily turnover	20,946	

■ COPPER, grade A ($ per tonne)

Close	2560-65	2511-12
Previous	2574-79	2511-12
High/low	2575/2528	2525/2486
AM Official	2527-29	2491-92
Kerb close		2523-24
Open int.	171,740	
Total daily turnover	56,510	

■ LME AM Official £/$ rate: 1.5097
LME Closing £/$ rate: 1.5106

Spot: 1.5092 3 mths: 1.5064 6 mths: 1.5039 9 mths: 1.5008

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Jan	119.70	+0.90	119.80	116.50	548	1,379
Feb	118.00	+0.55	118.00	116.00	279	1,633
Mar	116.20	+0.85	116.40	114.00	7,092	28,157
Apr	114.80	+0.95	114.80	112.70	33	926
May	113.70	+0.95	113.80	111.75	616	5,958
Jun	112.90	+0.95	-	110.70	2	727
Total					8,869	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	402.70-403.10		
Opening	402.20-402.60		
Morning fix	403.00	266.870	480.658
Afternoon fix	402.50	266.503	479.658
Day's High	403.70-404.10		
Day's Low	401.50-401.90		
Previous close	403.10-403.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.17	6 months	2.90
2 months	3.18	12 months	2.49
3 months	3.08		

Silver Fix	p/troy oz.	US cts equiv.
Spot	366.80	554.00
3 months	371.75	560.65
6 months	376.70	566.75
1 year	386.50	578.85

Gold Coins	$ price	£ equiv
Krugerrand	402-405	268-268
Maple Leaf	413.95-416.50	
New Sovereign	94-97	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jan	403.4	-0.1	404.2	402.0	-	-
Feb	403.5	-0.1	404.5	401.5	50,796	84,743
Apr	406.1	-0.3	407.1	404.2	28,251	48,058
Jun	408.0	-0.3	409.3	408.5	1,363	27,950
Aug	409.7	-0.3	409.5	409.0	1,086	9,802
Oct	411.3	-0.3	-	-	10	4,039
Total					82,169	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jan	418.3	-3.7	421.0	421.0	20	1
Apr	421.8	-3.7	426.0	420.2	2,989	20,452
Jul	423.5	-3.7	426.0	423.5	14	2,809
Oct	425.2	-3.7	427.5	425.5	15	1,102
Jan	428.5	-3.7	-	-	5	54
Total					3,280	24,[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Mar	130.05	-2.95	132.50	129.75	270	4,844
Jun	131.30	-3.05	132.50	131.80	[illegible]	1,322
Dec	133.80	-3.05	137.00	137.00	-	30
Total					300	6,196

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jan	549.5	-4.7	550.0	550.0	31	28
Mar	552.7	-4.8	557.5	547.5	18,418	69,006
May	557.7	-4.8	561.5	553.0	2,821	14,339
Jul	562.0	-4.8	563.5	558.0	214	7,944
Sep	566.0	-4.8	570.0	565.0	475	9,405
Dec	572.1	-4.8	575.0	569.0	54	5,795
Total					22,021	109,[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Mar	18.28	+0.22	18.30	17.85	30,572	80,253
Apr	17.91	+0.24	17.91	17.50	14,994	47,254
May	17.66	+0.22	17.69	17.33	5,619	30,197
Jun	17.54	+0.22	17.54	17.24	4,387	39,914
Jul	17.40	+0.18	17.43	17.20	1,289	28,113
Aug	17.30	+0.16	17.33	17.14	2,408	17,458
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

Note and Seeds: [illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	48.150	-0.300	48.725	48.150	342	2,354
Aug	48.225	-0.125	48.450	48.150	345	3,239
Oct	44.725	-0.150	44.975	44.700	92	1,687
Total					5,317	38,849

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
Feb	53.025	-0.825	54.200	52.850	1,188	3,587
Mar	53.150	-0.525	53.900	52.900	510	1,883
May	53.700	-0.850	54.875	53.700	132	1,095
Jul	54.800	-0.525	55.000	54.300	149	645
Aug	52.025	-0.775	53.200	52.375	20	229
Total					1,999	7,409

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	69	104	5	21
1600	11	47	48	63
1700	-	17	135	131
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2400	-	163	-	38
2500	91	101	13	69
2600	31	56	63	123
■ COFFEE LCE	Mar	May	Mar	May
1500	406	260	-	36
1550	357	223	1	49
1600	308	190	2	66
■ COCOA LCE	Mar	May	Mar	May
850	65	90	2	6
875	41	70	5	11
900	24	53	13	19
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	51	-	26	-
1700	27	-	36	-
1750	11	19	68	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.36-6.50w	+0.250
Brent Blend (dated)	$17.41-7.43	-0.060
Brent Blend (Mar)	$16.96-6.98	[illegible]
W.T.I.	$18.13-8.20w	+0.135

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$166-168	
Gas Oil	$158-159	-1
Heavy Fuel Oil	$95-97	-1
Naphtha	$167-168	-1
Jet fuel	$179-181	-1.5
Diesel	$164-166	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

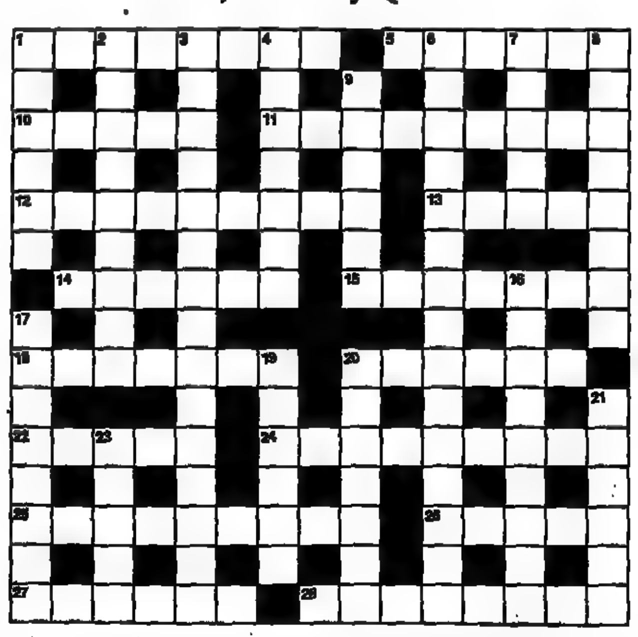
Gold (per troy oz)♣	$402.90	-0.40
Silver (per troy oz)♣	552.0c	-4.5
Platinum (per troy oz.)	$417.85	-5.15
Palladium (per troy oz.)	$128.25	-2.25
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.85m	[illegible]
Tin (New York)	298.5c	
Cattle (live weight)†	118.97p	+1.83*
Sheep (live weight)†♣	124.60p	+3.35*
Pigs (live weight)†	104.14p	+3.84*
Lon. day sugar (raw)	$314.6	-0.2
Lon. day sugar (wte)	$375.5	-6.5
Barley (Eng. feed)	120.0u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	105.25p	+1.00
Rubber (Mar)♥	105.25p	+1.00
Rubber (KL RSS No1)	387.50m	
Coconut Oil (Phil)§	$742.5y	+12.5
Palm Oil (Malay.)§	$525.0y	+10.0
Copra (Phil)§	481.0	
Soyabeans (US)	212.0	+1.0
Cotton Outlook'A' index	85.95	+0.15
Wooltops (64s Super)	452p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb.♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

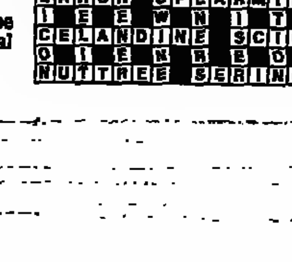
No.8,976 Set by QUARK



ACROSS
1 Not a good tally (8)
5 Strode around in rural area (6)
10 Girl didn't succeed, losing head in comeback (5)
11 "Anti metre" rebels come to a full stop (9)
12 Study a French instrument? It's a problem (9)
13 Staff going in to editor for rewrite (5)
14 12's about time for the big picture (6)
15 Music man in fashion (7)
18 Took bow at piano: in need of a drink? (7)
20 Nick's about to get short flight back (6)
22 Bragging although having no credit? In debt! (5)
24 It includes some vessels, eg a schooner (9)
25 Foundation with money meant to go round (9)
26 Stuff with cake? (5)
27 US lawyer's call is taking a risk (6)
28 Hotel man ordered a kind of fuel (8)

DOWN
1 I'd come out as an MB (6)
2 Old prunes, wrinkled, hardly show this! (9)
3 How wind in field could be blowing? Not showing normal inclination (7,3,5)
4 Course organiser? (7)
6 Writer of the musical – a craftsman (6,9)
7 Set forth in part of America (5)
8 One making an effort round the finish is more fashionable (8)
9 First layer in an early book (6)
16 Repeating all this in eg fun for the family (9)
17 End spoof exceptionally given excessive help (8)
19 Part of the angle acquired at college (6)
20 Soft baby toy producing childish utterance (7)
21 Former province revealed by book's different angle (6)
23 Ring the victor first off (5)

Solution 8,975



INTERNATIONAL CAPITAL MARKETS

Prices rally strongly on hopes of widespread interest rate cuts

By Martin Brice and Richard Lapper in London, and Lisa Bransten in New York

Bond markets rallied strongly yesterday on hopes of interest rate cuts in Europe and the US. European markets continued their rally, taking encouragement from the 10 basis point cut in the German repo rate.

"The market really is coming round to the idea that everybody will be cutting rates for a large part of this year," said Mr Michael Burke, senior economist with Citibank in London.

Italian paper outperformed bunds, while French bonds were hit by the prospect of a renewal of trade union protests over wages, pensions and a reduction in working hours but finished higher on hopes of an interest rate easing today.

UK government bonds took strength from bunds while UK economic data had little impact. Swedish government bonds had a volatile day.

■ A stronger dollar and hopes of an interest rate cut sent US Treasury prices sharply higher in morning trading.

Near midday, the benchmark 30-year was $\frac{13}{32}$ higher at $111\frac{13}{32}$ yielding 6.032 per cent, while at the short end of the maturity spectrum the two-year note was up ¼ to $99\frac{13}{32}$, yielding 6.017 per cent.

Gains among shorter-term securities led to a steepening of the curve that maps the spread between two-year and the long bond yields. In early trading the yield curve rose by 2 basis points to 102 basis points.

Bonds were ahead in overnight trading partly on the strength of the dollar, which added nearly a yen against the Japanese currency from Y105.93 late on Tuesday to Y106.85 and climbed from DM1.479 to DM1.483.

Weak economic data renewed hopes that the Federal Reserve might lower interest rates at next week's meeting of its Open Market Committee. New home sales fell by 2.1 per cent in November, marking the fourth straight month of declining sales, and figures on both capacity utilisation and industrial production were weaker than expected.

Industrial production added 0.1 per cent in December, while economists had expected a 0.3 per cent gain, and the percentage of the economy at use in the production of goods fell from 83 per cent in November to 82.8 per cent.

GOVERNMENT BONDS

Analysts said there was little specific reaction to the State of the Union Address delivered on Tuesday night by President Bill Clinton, but his continuing to express hope for a deal to balance the budget gave some support to prices.

■ The strength in the US Treasury market gave an extra fillip to emerging market debt prices, with Brady bonds continuing their strong recent run. In trading in London popular Mexican Par bonds rose by more than half a cent, helped by stability of the peso.

Argentine FRBs rose by ⅜ cents, while Polish PDIs gained about ½ cent. Polish Bradys led the rally earlier this week after Moody's lifted their rating to investment grade.

Bradys have performed powerfully since mid-November, bolstered by improving economic fundamentals in a number of Latin American countries, the bull run in the US bond market and increasing interest among international investors in higher yielding markets. They have now surpassed price levels achieved in December 1994, when the Mexican devaluation triggered capital flight from the region.

■ German government bonds reacted strongly to the 10 basis point in the repo rate, with yields falling along the curve. Mr Christoph Anhamm, an analyst at UBS in Frankfurt said bunds had taken a better tone, but said: "It was largely expected that the cut would be between 7 and 10 basis points, although 10 was in the upper range of expectations."

The yield on two-year paper fell by 4 basis points to 3.56 per cent, that on four-year paper by 6 points to 4.44 per cent and that on 10-year paper by 3 points to 5.8 per cent.

On Liffe, the March 10-year bund future closed at 106.00, up 0.14. Bunds outperformed Treasuries, with the yield spread of 10-year bunds moving from 12 to 9 basis points.

Traders are now looking for another cut in official German rates, perhaps as soon as next month. The Bundesbank council meets on March 28, and some traders expect 50 basis points off official rates then.

■ French government bonds retreated from early highs after the CGT union called for a week of public sector strikes from February 5, but advanced into positive territory on hopes of further easing.

The yield spread of 10-year paper over bunds moved from 50 to 52 basis points as French bonds under-performed German paper.

Mr Jonathan Davies, an analyst at UBS, said: "This will take some of the shine off French bonds, but it is too early to say if this is a major turnround."

Traders said investors were worried that the planned reforms of the social security budget might not be achieved, and this was a bearish influence on the long end of the yield curve.

In the cash market, yields on four-year paper fell 3 basis points to 5.38 per cent while on 10-year bonds, yields were unchanged at 6.34 per cent on hopes of a rate cut at today's Bank of France monetary policy council meeting. Some traders expect up to 20 basis points off the intervention rate.

On Matif the March 10-year future closed at 122.94, up 0.18, while March Pibor closed at 95.39, up 0.02.

■ Italian bonds took strength from the German repo cut in early trading but were pulled off their highs later in the day by suggestions that President Oscar Scalfaro might call an early election since there was no agreement between political parties on the formation of a government.

The March BTP futures contract closed at 112.27, up 0.31, while the yield spread over 10-year bunds moved in from 447 to 442, helped by lira strength.

Mr David Brown at Bear Stearns said that once any threat of early elections was out of the way, "the lira, Euro-lira futures and BTPs should really fly".

■ UK gilts were lifted in the morning by the bullish outlook on European interest rates and in the afternoon by the strong US Treasury market.

On Liffe, the March long gilt future closed at $111\frac{13}{32}$, up $\frac{1}{32}$. The 10-year yield spread over Germany was static at around 163 basis points.

Economic statistics showed the shortfall between exports and imports with non-European Union countries increased to £613m in December, against forecasts of £700m.

■ Swedish bonds had a volatile day after yields on short-dated paper rose in early trading before retreating in the face of doubts on the speed of their recovery. The yield spread over Germany on 10-year bonds spreads moved from 238 to 245 basis points.

Portuguese bank set to reject bid from rival

By Peter Wise in Lisbon

The management of Banco Fomento e Exterior, a state-controlled Portuguese financial group, regards a Es132bn ($863m) acquisition offer by Banco Portuguès de Investimento, the country's biggest investment bank, as hostile and is expected to advise shareholders against selling.

In an official response to the BPI proposal, due by January 29, BFE is expected to reject the offer price of Es1,650 a share as too low and raise legal objections to the privatisation of the bank, which is 80.5 per cent state-owned, through a stock market takeover.

BFE's resistance will place additional pressure on Mr António Sousa Franco, the finance minister, who has to make both a political decision on the privatisation of BFE and a technical decision on whether BPI's proposal meets legal requirements.

BFE is expected to base part of its opposition on two independent valuations of the bank made when 19.5 per cent was privatised in 1994. These proposed an average value of Es1,770 a share and suggested the state would obtain more revenue by auctioning its holding as a single block.

Other groups, including Spanish banks in partnership with Portuguese investors, are interested in buying BFE, according to Lisbon market analysts.

Brokers said the fact that BFE shares have risen above the BPI offer price over the past three days suggests that the market expects BPI to increase its offer or that a competing bid will be made. Yesterday the shares closed at Es1,705 up from Es1,588 on Friday when the bid was announced.

Euro-convertible sector springs back into action

By Antonia Sharpe

The euro-convertible bond market sprang back into action yesterday with deals from Lyonnaise des Eaux, the French water and utility group, and Paliburg, the holding company of the Regal Hotels group in Hong Kong.

Crédit Lyonnais, which arranged the FFr3bn 10-year offering for Lyonnaise des Eaux, said the proceeds would help finance the company's agreed £823m takeover of Northumbrian Water, the privatised UK utility. Lyonnaise is also negotiating with banks on a syndicated loan.

The scarcity of euro-convertible bonds in the last year (Lyonnaise's offering is the first from a French company since last spring), a low coupon, and the strong French franc provided a favourable backdrop for the deal, Crédit Lyonnais said. It added that there was interest from international investors wanting to increase their exposure to French equities.

The bonds, which will be converted on a one-for-one basis for shares in Lyonnaise, carry a conversion premium of 15 per cent and are callable from 2001. They have a relatively low coupon of 4 per cent but the yield for holders who decide not to convert them will be 5.65 per cent.

Dealers said Lyonnaise's lead was likely to be followed by other internationally-known French companies, such as Total, the oil company; Générale des Eaux, the construction and utilities group; and LVMH, the champagne and luxury goods group.

INTERNATIONAL BONDS

Meanwhile, Jardine Fleming beat Goldman Sachs to bring the first Asian convertible bond offering of 1996 – a $130m offering for Paliburg. Goldman is set to launch a $100m convertible bond for TPI Polene, a Thai chemicals company.

Paliburg's five-year bonds, which are callable from 1999, have a conversion premium of 12 per cent, in the middle of the indicated range of 11 to 13 per cent.

Fleming said the defensive fixed-income element of the bonds attracted investors wanting to increase their exposure to Asia but not wanting to run the risk of a pure equity investment. If all the bonds are converted, Paliburg's 70 per cent stake in the hotels company will fall to 56 per cent.

Elsewhere, a $150m fixed-rate bond for ICICI, the Indian state-controlled development agency, showed that the eurobond market is still receptive to emerging market credits. This should bode well for Mexico, which is planning to launch its global bond offering next week. The $750m five-year Mexico offering is likely to be priced to yield about 450 basis points over US Treasuries.

The global DM2bn *Pfandbrief* for DePfa should also emerge early next week. The maturity of the bonds could be five or seven years. On the former, the spread talk is in the mid-30s; and on the latter the high teens to the low 20s.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ICICI	150	7.125#	99.404R	Feb.2003	0.625R	+170(6½%-03)	JP Morgan Securities
Salomon(a)‡	150	(a1)	99.858R	Feb.1999	0.20R	-	Salomon Brothers Intl.
Paliburg Intl Finance(b)§	130	3.50	100.00	Feb.2001	2.50	-	Jardine Fleming
World Bank+	100	4.55	100.00	Feb.1999	undisci.	-	Kankaku (Europe)
D-MARKS							
DSL Finance	1bn	6.00	99.67R	Feb.2006	0.325R	+23(6%-06)	Commerzbank/SocGen
Norddeutsche Landesbank‡	100	(c)	100.00	Feb.2001	0.20	-	UBS Germany
STERLING							
Westpac Banking Corp‡	250	(d)	99.961	Feb.1999	0.10	-	Barclays de Zoete Wedd
Spintab‡	60	(e)	100.00	Feb.1998	0.05	-	Sanwa International
FRENCH FRANCS							
Lyonnaise des Eaux(f,s)§	3bn	4.00	(f)	Jan.2006	undisci.	-	Crédit Lyonnais
SOUTH AFRICAN RAND							
Inter-American Dev Bank	280	13.00	101.16	Feb.2001	1.50	-	Deutsche Morgan Grenfell
SWEDISH KRONOR							
Vattenfall Treasury	600	7.875	101.40	Feb.2001	1.875	-	Deutsche Morgan Grenfell
NEW ZEALAND DOLLARS							
SocGen Australia	100	7.25	100.265	Mar.1999	1.50	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on coupon dates from Feb.98 at par. a1) 3-mth Libor +⅛%. b) Exchangeable into Regal Hotels shares at HK$2.417. FX: 7.735HK$/$. Callable from 8/2/99 subject to 130% hurdle. Redemption premium at maturity: 121.65%. Greenshoe: 15%. c) 4.10% for 1st yr and 6-mth Libor +25bp thereafter; resets limited to 25bp rise and cannot fall. d) 3-mth Libor flat. e) 3-mth Libor +2½bp. f) Issue price: FFr520 per bond. Conversion ratio: 1:1. Callable from 1/1/01. Greenshoe: FFr450m. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	10.000	02/06	112.6700	+0.440	8.13	8.17	8.22
Austria	6.500	11/05	103.5000	+0.200	6.13	6.17	6.63
Belgium	6.500	03/05	101.5300	+0.320	6.27	6.40	6.70
[illegible]							

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
10100	0.18	0.66	0.61	1.00	0	0.60	1.15	1.54
10150	0	0.43	0.42	0.79	0.22	0.75	1.45	1.53
10200	0	0.25	0.28	0.61	0.82	1.07	1.82	2.15

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 24	Day's change %	Tue Jan 23	Accrued interest	xd adj. ytd		Low coupon yield Jan 24	Jan 23	Yr. ago	Medium coupon yield Jan 24	Jan 23	Yr. ago	High coupon yield Jan 24	Jan 23	Yr. ago
1 Up to 5 years (22)	124.07	+0.12	123.92	2.62	0.12	5 yrs	6.74	6.78	8.75	6.78	6.88	8.74	6.86	6.90	8.94
2 5-15 years (21)	152.41	+0.28	151.99	2.86	0.00	15 yrs	7.54	7.58	8.62	7.58	7.62	8.75	7.68	7.72	8.94
3 Over 15 years (8)	166.94	+0.45	165.18	2.42	1.02	20 yrs	7.66	7.70	8.88	7.68	7.72	8.76	7.74	7.78	8.88
4 Irredeemables (6)	[illegible]	+0.13	194.12	2.20	0.00	Irred.†	7.77	7.78	8.63						
5 All stocks (67)	[illegible]	+0.26	146.31	2.66	0.21										

Index-linked	Wed Jan 24	Day's change %	Tue Jan 23	Accrued interest	xd adj. ytd		Inflation 5% Jan 24	Jan 23	Yr. ago	Inflation 10% Jan 24	Jan 23	Yr. ago
6 Up to 5 years (1)	[illegible]	+0.07	198.30	2.18	0.00	Up to 5 yrs	2.36	2.38	4.04	1.09	1.11	2.71
7 Over 5 years (11)	[illegible]	+0.04	190.51	1.12	0.00	Over 5 yrs	3.50	3.50	3.65	3.29	3.29	3.75
8 All stocks (12)	[illegible]	+0.04	190.65	1.15	0.06							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

US dollar resumes rally after cut in German repo

By Graham Bowley

The dollar resumed its rise against the D-mark on the foreign exchanges yesterday after a fall in the German repo rate fuelled expectations of further cuts in longer-term interest rates.

It made strong gains against the D-Mark and moved close to a two-year high against the Japanese yen.

Data showing an improvement in the Japanese trade surplus and rumours, later denied, that China was preparing to attack Taiwan, gave an early boost to the dollar.

A more conciliatory tone in remarks from both the White House and Republican leaders on the US budget discussions also helped underpin the dollar's buoyant tone.

Political worries in France and Italy offset some of the dollar's upward momentum later in the session as sentiment shifted back towards the D-Mark within Europe. Data, pointing to a further slowing of the US economy, also raised the possibility of a cut in US interest rates at next week's FOMC meeting.

In France, the threat of renewed protests over cuts in public sector spending hit the franc, which ended lower against the D-Mark. Analysts said investors fear that further political unrest would mean the French government would be unable to implement all the reforms necessary to cut the country's large budget deficit.

Similar worries in Italy after rumours, also denied, that President Scalfaro was set to call an early general election, pulled the lira lower on fears that a new government would be too weak to make desired cuts in government spending.

■ Pound in New York

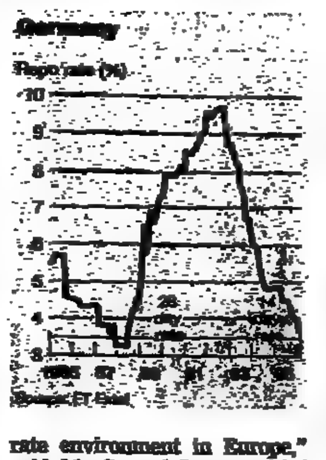
Jan 24	Latest	Prev. close
£ spot	1.5080	1.5145
1 mth	1.5080	1.5135
3 mth	1.5061	1.5118
1 yr	1.4988	1.5020

■ The German Bundesbank's decision to allow its short-term repo rate to fall further yesterday – by 10 basis points to 3.55 per cent – renewed market confidence that German interest rates are set to fall again.

This confidence had been undermined earlier this week after Bundesbank officials had suggested that further interest rate cuts would depend on more subdued growth in M3 money supply.

But Mr Mr Reimut Jochimsen, a Bundesbank council member, suggested yesterday that the cycle of lower German interest rates may not have ended. Data for one of the German states showing continued subdued inflation also supported the view that the German economy remains weak and with few inflationary pressures.

"What we have seen today is a resumption of the trend we saw before with a softer D-Mark and a better interest rate environment in Europe," said Mr Gerard Lyons, chief economist at DKB International in London.



The Bundesbank's move coincided with interest rates cuts in three other European countries.

The Dutch central bank lowered its special advances rate to 3.2 per cent from 3.3 per cent.

In Belgium, the end-of-day rate was lowered from 4.9 per cent to 4.8 per cent and the central rate fell from 3.65 per cent to 3.55 per cent.

The Danish central bank cut its 14-day repo rate by 0.15 percentage points to 4.35 and the discount and key deposit rates by 0.25 points to 4.0 per cent.

■ The absence of any negative news on the US budget impasse helped underpin the dollar.

Analysts said the lack of any controversial news in the President's State of the Union Address on Tuesday had given the dollar an early boost, while comments from Mr Newt Gingrich, the Speaker of the House of Representatives, were also viewed as positive.

Analysts are now looking to see whether developments towards the end of this week, when the current provisional stop-gap budget arrangements run out, will further support or undermine the US currency.

However, Mr Mark Fox, strategist at Lehman Brothers in London, said the Lehman view was now that there would be no budget agreement reached before the November presidential elections.

The dollar finished in London at DM1.4803 from DM1.4773, and against the yen at Y106.7650, from Y105.82.

■ Sterling was stable for much of the day. Economic data, showing a slight widening of the UK's trade gap with countries outside the European Union, had little impact. The pound closed higher against the D-Mark at DM2.2397 from DM2.2365. It finished broadly unchanged against the dollar at $1.513 from $1.514.

■ OTHER CURRENCIES

Jan 24	£	$
Czech Rp	41.0948 - 41.1288	27.1630 - 27.1736
Hungary	212.880 - 213.080	140.740 - 140.780
Iran	4540.50 - 4537.50	3000.00 - 3000.00
Kuwait	0.4533 - 0.4541	0.2997 - 0.3000
Poland	3.8027 - 3.8087	2.5340 - 2.5370
Russia	7140.70 - 7140.51	4718.00 - 4721.00
U.A.E.	5.5545 - 5.5585	3.6724 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7507	+0.0225	429 - 584	15.7816	15.7284	15.7072	3.3	[illegible]	2.2	-	-	[illegible]
Belgium	(BFr)	46.0556	+0.068	108 - 012	46.1420	45.9650	45.9408	3.0	45.7358	[illegible]	[illegible]	2.5	108.4
Denmark	(DKr)	8.6627	+0.0101	576 - 678	8.6821	8.6498	8.6488	1.9	8.6239	1.8	8.5242	1.6	109.2
Finland	(FM)	6.8570	-0.0136	491 - 649	6.8980	6.8270	6.8526	0.8	6.8445	0.7	-	-	85.4
France	(FFr)	7.6797	+0.019	764 - 830	7.6837	7.6535	7.6679	1.8	7.6493	1.8	7.5737	1.4	109.7
Germany	(DM)	2.2397	+0.0031	387 - 407	2.2469	2.2358	2.2342	2.9	2.2245	2.7	2.182	2.6	110.6

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4102	+0.0219	085 - 119	10.4365	10.3970	10.3947	1.8	10.3627	1.8	10.2402	1.6	106.1
Belgium	(BFr)	30.4400	+0.085	200 - 600	30.5800	30.4200	30.388	[illegible]	30.2875	2.0	29.925	1.7	108.0
Denmark	(DKr)	5.7265	+0.0105	[illegible]	5.7498	5.7195	5.7205	1.0	5.711	1.0	5.733	-0.1	108.4
Finland	(FM)	4.5321	-0.006	285 - 356	4.5886	4.5182	4.5271	1.5	4.5184	1.2	4.4895	0.9	84.4
France	(FFr)	5.0758	+0.0159	752 - 763	5.0920	5.0555	5.0717	1.0	5.0662	0.8	5.0473	0.6	109.3
Germany	(DM)	1.4803	+0.003	801 - 805	1.4880	1.4785	1.4779	1.9	1.4731	1.9	1.4535	1.8	109.8

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9050	0.31	0.79	1.17	0.21	0.19	0.32
9075	0.20	0.61	0.97	0.35	0.26	0.37
9100	0.11	0.46	0.79	0.51	0.38	0.44

Est. vol. total, Calls 3175 Puts 480. Previous day's open int., Calls 17581 Puts 18865

Notice of Early Redemption to Holders of

Series A

of

RSVP MAYFAIR LIMITED

(Incorporated with limited liability in the Cayman Islands)

U.S. $79,000,000

Guaranteed Extendible Variable Rate Notes due 2006

NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 31st March, 1992, Series A of the U.S. $79,000,000 Guaranteed Extendible Variable Rate Notes due 2006 of RSVP MAYFAIR LIMITED (the "Bonds") will be redeemed in full by RSVP MAYFAIR LIMITED on the Interest Payment Date falling on 31st January, 1996 at the Principal Amount outstanding on that date together with the interest accrued to the Date of Redemption.

Paying Agents

Goldman Sachs (Cayman) Trust, Limited
P.O. Box 896
Grand Cayman
British West Indies

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
Luxembourg

Interest will cease to accrue on the Bonds from 31st January, 1996.

Goldman Sachs (Cayman) Trust, Limited
Principal Paying Agent

25th January, 1996

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		526xd	-8	566	476½	5,438	5.6	19.0
Bulmer (HP)		511xd	+3	511	392	269.8	3.0	16.0
Burn St Dist		124	—	148	99	73.5	5.0	25.7
Grand Met		459xd	+4	467	357	9,587	4.1	16.2
Guinness		482	-2	538	[illegible]	[illegible]	3.7	15.0
Highland		318	—	418	315	423.6	3.1	14.4
Kirin Y		780½	-6¼	775¼	621	7,980	0.8	28.9
Macallan-Glen		198	+1	217	157	185.9	1.0	35.0
Macdon Martin		635	—	700	600	87.0	2.1	17.9
Matthew Clark		667	-2	694	539	586.3	4.7	–
Merrydown		107	—	140	68	11.7	2.3	–
Seagram $		[illegible]	[illegible]	[illegible]	[illegible]	6,497	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 3rd Pf		[illegible]	—	[illegible]	50¼	8.31	19.8	–
Cater Allen		474	—	525	418	154.5	7.9	7.8
Close Bros		337	—	340½	217¼	411.5	3.3	14.9
Gerrard & Nat		470	-1	475	395	229.4	6.0	15.2
Hambros		201	—	242	180	355.4	4.7	–
7½pc Cv Pf		102	—	112	94	131.4	9.2	–
Joseph (L)		493	—	493	353	24.0	5.2	15.6
King & Shaxson		145	—	152	85	39.3	7.8	11.3
Rea Brothers		65	—	67	44	31.4	1.9	26.0
Schroders		1310	-25	1478	906¼	1,878	1.4	18.7
NV		1040	-20	1180	823¼	457.8	1.7	14.8
Singer & Fried		103	+1	111	61	203.2	4.5	10.7
8½pc Cv Ln 09/14		£131½	—	£137	[illegible]	40.3	6.5	–
Union		97	—	121	70	25.8	3.8	–
Wintrust		278	—	295	200	23.2	5.5	15.2

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
• Highs and lows marked thus have been adjusted to allow for capital changes
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
◆ Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Rule 4.2(a) Irish incorporated non-listed companies.
§ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd

Jupiter Tyndall World Umbrella Fund Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

صكذا من الاصل

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Citimarkets SA

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Life International

Cathay Investment Fund Limited

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate hopes lift Footsie to record close

By Steve Thompson, UK Stock Market Editor

A late and powerful bout of takeover speculation in Standard Chartered helped to put the seal on a breathtaking session which left the FT-SE 100 index at a record closing high.

Strong rumours circulating in the City's dealing rooms towards the close suggested that an 850p a share takeover offer for Standard Chartered from one of the German banking groups was imminent. Rumours of a bid for Standard Chartered regularly emerge, but there was heavy, albeit strongly speculative, buying behind the rise yesterday.

The FT-SE 100 was finally a net 23.2 ahead at 3,758.2, while the FT-SE Mid 250 index built on a solid performance all day to end 14.5 firmer at 4,086.9.

The upward drive by the market just before the close was also prompted by one of the now commonplace opening surges by Wall Street, which challenged its previous record high, helped along by a sudden jump in US Treasury bonds.

A batch of weaker than expected economic numbers from the US were said to have been responsible for the firmer trend in Treasury bonds, with US markets again taking seriously the possibility of a further cut in US interest rates after the Federal Open Market Committee meets next Tuesday.

Adding to the general mood of optimism in the US was a better feeling around the budget deficit debate, with some market observers taking the view that a settlement of sorts, even a short term agreement to increase the lending ceiling, would be seen as very good news for US and global markets.

Earlier, European equity markets had moved into top gear after the Bundesbank sanctioned a 10 basis-point reduction in the German repo rate, a move interpreted by dealers as paving the way for a further cut in Germany's Lombard and discount rates in the near future.

Relatively large swings in share prices were accompanied by heavy trading across the market. Turnover at 6pm reached a hefty 861.5m shares. There were no really exceptionally high turnovers, just a broad spread of keen interest. Non-FT-SE 100 stocks accounted for just over half the day's total.

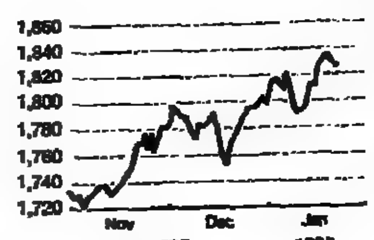
The value of customer, or retail, business in the market on Tuesday came out at a relatively healthy £1.73bn. Retail business has not fallen below the £1.7bn level for the last six trading sessions.

An overnight 27-point slide in the Dow Jones Industrial Average saw the FT-SE 100 open around 4 points lower, before picking up and moving ahead strongly on the German repo cut. It posted a 16-point gain in mid-morning but then slipped back in the wake of a sizeable sell programme.

But with the Dow opening in sparkling form and racing up to show a 65-point gain an hour after trading commenced, the Footsie rose sharply to end at the day's best.

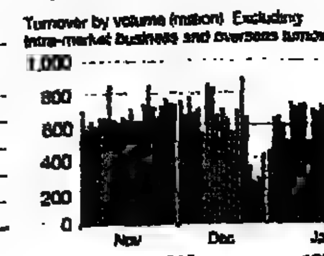
There were plenty of other bid candidates being chased higher, including Ladbroke, Thorn EMI, Rank Organisation, P&O, Rexam and Lasmo. British Biotech was the star performer in the FT-SE Mid 250 stocks after a director moved into the market to pick up stock.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3758.2	+23.2
FT-SE Mid 250	4086.9	+14.5
FT-SE-A 350	1863.9	+10.5
FT-SE-A All-Share	1837.17	+9.95
FT-SE-A All-Share yield	3.71	(3.73)
FT Ordinary index	2788.2	+18.8
FT-SE-A Non Fins p/e	16.91	(16.84)
FT-SE 100 Fut Mar	3771.0	+16.0
10 yr Gilt yield	7.30	(7.33)
Long gilt/equity yld ratio:	2.09	(2.09)

Best performing sectors

1. Leisure & Hotels ..... +2.7
2. Oil Exploration ..... +1.5
3. Banks, Retail ..... +1.4
4. Extractive Inds ..... +1.2
5. Pharmaceuticals ..... +1.2

Worst performing sectors

1. Telecommunications ..... -1.3
2. Banks, Merchant ..... -1.2
3. Electricity ..... -0.9
4. Utilities ..... -0.8
5. Distributors ..... -0.5

Late bid buzz for bank

Standard Chartered shot up 7 per cent shortly before the close of trading on feverish takeover speculation.

Shares in the London-based Far Eastern bank jumped in the last quarter of an hour of trading, taking the market completely by surprise. NatWest Securities was actively bidding for stock.

The rise of 43¼ to 682½p built on the 120 per cent leap in the share price since the beginning of last year.

One dealer in bank stocks said the move was prompted by "a European prepared to pay fancy prices".

Other traders suggested an offer from Deutsche Bank, Germany's largest bank, at £8.50 a share. Commerzbank and Bayernverein were also cited as possible bidders.

While, on pure financials, the only plausible candidate appeared to be Standard's Far Eastern rival HSBC, which ended the day up 19 at 1097p.

Standard Chartered said it knew of no reason for the rise, and one banking analyst said a hostile bid in the sector would be very surprising.

He added that there was already £2.5bn of goodwill in the bank's £6.4bn market capitalisation and that very few rivals could afford it at current levels.

Media and leisure company Granada Group, whose successful bid for Forte ended on Tuesday, remained in favour yesterday as several brokers recommended the stock, saying it remained "cheap on fundamentals".

The shares broke through the 700p barrier for the first time since November 1995 to close 29 up at 707p, a new record for the stock.

One broker suggested the funds flowing into the market from the bid may actually find their way back into Granada.

Sentiment was further enhanced by a positive annual meeting and reports of initial interest in some of Forte's leading hotels which Granada has already pledged to put on the market.

The conclusion of the Granada/Forte bid battle left the market looking around for the next takeover target. Much of the day's talk placed leisure giant Ladbroke at the top of the list of companies that many believe will soon be on the receiving end of a bid.

No names of likely suitors were mentioned, but the speculation was enough to send the shares racing ahead 8¼ to 172½p in trade of 10m. One observer predicted any offer for Ladbroke was unlikely to be below 200p a share and said: "I am afraid Ladbroke would not be able to put up much of a defence."

Telecoms shares continued to suffer from the competition threat implicit in AT&T's move into the UK telephone market.

The US giant is concentrating on long distance business calls at the moment, but it plans to push turnover close to £700m over the next four years. That compares with annual sales of £1.6bn last year at Mercury, part of the Cable and Wireless group. C&W retreated 9 to 444p and scraped along the bottom of the Footsie performance rankings for the second day running. BT came off 5 to 370p in 12m traded.

However, most analysts saw AT&T's entry into the UK market as a fairly low key affair. "They are by no means going for broke on infrastructure, and show no signs of wanting to get caught up in a price war," said one leading telecoms watcher.

There were also suggestions that the relatively subdued launch implied that AT&T might at a later stage seek to buy UK assets, possibly Mercury.

Components distributor Farnell Electronics, which rose by a sixth in the five months to early December, continued to retreat on worries about acquisition induced earnings dilution. Down 10 per cent on Tuesday, the shares lost a further 17 to 600p in another day of heavy trading volume.

Farnell is to double its market capitalisation with a £1.85bn US takeover and a number of institutions have been leaping for the lifelines. In spite of the many obvious risks, the big research teams appear to stand four-square behind the deal.

Most houses felt the shares had been oversold. BZW is a firm buy, finding the deal a compelling fit. Henderson Crosthwaite, also a buy, sees Farnell as a potential Footsie stock. NatWest Securities is keeping Farnell as its most favoured distribution stock.

There was said to be modest switching out of Farnell into Bowthorpe yesterday following Tuesday evening's presentation to analysts. Bowthorpe jumped 21 to 405p.

Zeneca lost some recent gains in spite of a positive note from NatWest Securities and some profits forecast upgrades following Tuesday's trading update.

There was also some talk that Roche, which has been considered keen to make an acquisition for some time, was turning its attention away from the UK. The Swiss company was believed to be targeting Ciba, the rival Swiss group.

Analysts were sceptical but said that the rumour gave an opportunity to take profits. The shares finished 12 off at 1273p.

Tightly traded British Biotech leapt 198 to a record peak of 2168p, squeezed higher on news that one director had bought a block of 3,000 shares. Rival biotech company Cortecs rose 16 to 237p.

Midlands Electricity, the perceived takeover candidate within the regional electricity sector, moved forward again.

The company has been linked by traders to Tractebel, of Belgium, and General Public Utilities. Both Tractebel and Midlands have put out statements distancing themselves from a link-up. But one specialist summed up the general feeling, saying: "I do not think anyone is entirely convinced by the statements. The market has the sense that something is up."

The shares rose 7 to 375p. Elsewhere London Electricity, linked in the past to Thames Water but now seen as unlikely to receive an aggressive bid, gained 7 to 720p.

Southern Electricity closed at 784p after a general share re-organisation. The regional electricity group went ex its National Grid stake and also a 50p special dividend but also carried out a share consolidation.

Dealers said that at the current level Southern Electricity shares were some 60p below the National Power bid. That bid lapsed when it was referred to the Monopolies and Mergers Commission but is expected to return.

Commercial Union, the insurer, moved forward 9 to 629p on encouraging business figures.

New business figures for life and pensions operations, were sharply higher but flattered by the acquisition last year of Groupe Victoire. However, some analysts said that considering the sector was going through a very harsh period it was encouraging they were not down.

A reassuring note from NatWest Securities helped Rolls-Royce recover 4½ to 199p after two days of clear weakness on fears that big customer Fokker could go out of business.

Wainhomes, which slithered down to a low of 65p last week following a fraud investigation, jumped 10 to 90p on news that rival housebuilder Bellway had snapped up 4.8 per cent of the company. Bellway itself shed 8 to 249p.

Cairn Energy raced ahead 35½ to 179½p after the company said it planned testing on a Bangladesh offshore exploration well.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 24	Jan 23	Jan 22	Jan 19	Jan 18	Yr ago	*High	*Low
Ordinary Share	2788.2	2769.4	2779.6	2762.1	2773.5	2251.7	2788.2	2238.3
Ord. div. yield	3.90	3.92	3.91	3.92	3.97	4.65	4.73	3.90
P/E ratio net	16.69	16.58	16.63	16.56	16.61	16.96	21.39	15.35
P/E ratio nil	16.48	16.37	16.42	16.25	16.40	16.44	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2766.5	2776.5	2783.8	2781.5	2782.0	2780.8	2776.4	2776.7	2784.4	2788.2	2765.5

	Jan 24	Jan 23	Jan 22	Jan 19	Jan 18	Yr ago
SEAQ bargains	35,703	37,687	44,115	40,876	39,613	23,348
Equity turnover (£m)†	-	1728.1	1720.1	2191.5	2203.8	1802.8
Equity bargains†	-	48,847	46,660	48,145	43,431	30,889
Shares traded (ml)†	-	687.9	646.0	716.9	719.4	871.6

†Excluding intra-market business and overseas turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	855	Total Highs	195	Total contracts	40,848
Total Falls	426	Total Lows	23	Calls	19,164
Same	1,534			Puts	21,684

Jan. 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3758.0	3775.0	+20.0	3778.0	3748.0	11743	65493
Jun	3763.5	3777.5	+30.0	3770.0	3762.5	36	1184

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4100.0	+10.0			0	3307

FT-SE 100 INDEX OPTION (LIFFE) (*3758) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Feb	174½	4	128	8½	84½	17	50	31	25½	59½	11	97½	3½	146	1	198
Mar	189½	16½	148	24½	109½	37	77	55	51	79½	31	112½	17½	153	8	200
Apr	198	32½	159	44	125½	61	95	80	71	105	49½	135	34	170	22	209½
May	211	44	178½	56	142	74	111	93½	87½	120½	64½	148½	49½	183½	34½	220½
Jun†	228½	58			180½	88½			106	133			86	184		

Calls 3,834 Puts 3,703

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575		3625		3675		3725		3775		3825		3875		3925	
Feb	198	3	149	5½	105½	12	67½	23½	36	44	17½	73½	6½	112	1½	157
Mar	208	10	164	15½	125	26	91	41½	62½	62½	40½	90	24½	123½	13½	162
Apr	218½	29	179½	39½	148½	53	111	70	84½	92	61½	119	43½	148½	29	184½
Jun			211½	63			144	93			90½	137			65	198½
Sept			257½	92½			183	124			138	165½			98½	219½

Calls 2,817 Puts 7,797 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	6.55	6½	5¼	†Ballynatray	[illegible]		-	-	-	-
-	F.P.	23.6	125	115	Century Inns	118		-	-	-	-
-	F.P.	55.6	114	108	Cox Insurance	111		-	-	-	-
-	F.P.	14.1	90	72	†Dimtek	[illegible]		-	-	-	-
-	F.P.	25.6	88	78	Jupiter Split Cap	[illegible]					
-	F.P.	53.6	101	99	Jupiter Split Inc	[illegible]					
-	F.P.	59.0	259	258	Jupiter Split Units	[illegible]					
-	F.P.	9.08	¼	¼	†Mountcashel	[illegible]					
-	F.P.	0.13	5	8	†Nthn Prim Wts	[illegible]					
-	F.P.	1.13	105	100	†Revelation P'dity	[illegible]					
-	F.P.	0.79	7½	6	†SkyePharma Wts	[illegible]					
-	F.P.	5.25	175	125	†Vevum	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 23	% chg on day	Jan 22	Year ago
Gold Mines Index (33)	2269.07	-0.2	2286.84	1807.87
Regional Indices				
Africa (16)	3084.46	+0.6	3059.85	2794.08
Australasia (5)	2714.66	+1.0	2686.01	2210.62
North America (12)	1989.96	-1.6	2010.71	1457.82

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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	831	418	+2
ASDA Group†	8,200	108	+1
Abbey National†	6,400	561½	+3½
Albert Fisher	1,000	48	
Allied Domecq†	4,800	526	-4
Anglian Water	1,500	573	
Argos†	505	560	+6
Argyll Group†	3,200	344	+2
Arjo Wiggins	860	185	+1
Assoc. Brit. Foods†	911	380	+1
Assoc. Brit. Ports	971	274	
BAA†	2,500	496	-3
BAT Inds.†	3,800	580	+3
BET	3,400	130	+1
BICC	6,100	282	+4
BOC†	1,800	909	-3
BP†	11,000	518½	+4
BPB Inds.	1,600	309	+3

FT - SE Actuaries Share Indices — The UK Series

FT-SE Actuaries All-Share

Hourly movements

FT-SE Actuaries 350 Industry baskets

LEGAL NOTICES

THE POCOCK GROUP LIMITED

JOINT ADMINISTRATIVE RECEIVERS APPOINTED 1 NOVEMBER 1995

Dated 15 January 1996

NIZELS LIMITED

Dated 15 January 1996

T M SHIERS Joint Administrative Receiver

Coopers & Lybrand, P O Box 282, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5RS

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 24 / Sch)

BELGIUM/LUXEMBOURG (Jan 24 / Frs.)

CZECH REP (Jan 24 / Koruna)

DENMARK (Jan 24 / Kr)

FINLAND (Jan 24 / Mka)

FRANCE (Jan 24 / Frs.)

GERMANY (Jan 24 / Dm.)

GREECE (Jan 24 / Drachma)

ITALY (Jan 24 / Lira)

NETHERLANDS (Jan 24 / Fls.)

NORWAY (Jan 24 / Kroner)

POLAND (Jan 24 / Zloty)

PORTUGAL (Jan 24 / Escudo)

SPAIN (Jan 24 / Pts.)

SWEDEN (Jan 24 / Kronor)

SWITZERLAND (Jan 24 / Frs.)

TURKEY (Jan 24 / TK Lira)

PACIFIC

JAPAN (Jan 24 / Yen)

HONG KONG (Jan 24 / H.K.$)

INDONESIA (Jan 24 / Rupiah)

MALAYSIA (Jan 24 / MYR)

NEW ZEALAND (Jan 24 / NZ $)

SINGAPORE (Jan 24 / S$)

AUSTRALIA (Jan 24 / Aust$)

SOUTH KOREA (Jan 24 / Won)

TAIWAN (Jan 24 / TW $)

THAILAND (Jan 24 / Baht)

AFRICA

SOUTH AFRICA (Jan 24 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 24 / Can $)
4 pm close

MONTREAL (Jan 24 / Can $)
4 pm close

INDICES

	Jan 24	Jan 23	Jan 22	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u) 18045.73	17895.51	18045.70	23/1/96		9931.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2235.7	2246.6	2260.6	2274.90	8/1/96	1823.30	8/2/95
All Mining(1/1/80)	1007.1	1013.0	1016.6	1041.60	8/1/96	786.30	8/2/95
Austria							
Credit Aktien(30/12/84)	375.03	371.80	373.53	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1058.75	1045.75	1050.45	1058.75	24/1/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1663.08	1648.91	1657.71	1663.08	24/1/96	1271.60	9/3/95
Brazil							
Bovespa(29/12/83)	(u) 49852.0	49938.0	49852.00	23/1/96		23292.00	9/3/95
Canada							
Metals Minls(1975)	(u) 4917.56	4691.66	5286.37	23/11/95		3898.83	1/3/95
Composite(1975)	(u) 4847.60	4848.98†	4855.36	8/1/96		3991.41	30/1/95
Portfolio(4/1/83)	(u) 2390.08†	2394.68	2394.68	22/1/96		1953.56	30/1/95
Chile							
IGPA Gen(31/12/80)	(u) 5736.16	5739.37	6383.10	11/7/95		4676.80	9/3/95
Denmark							
CopenhagenSE(3/1/83)	387.27	385.10	387.56	388.83	17/1/96	330.81	29/3/95
Finland							
HEX General(28/12/90)	1713.48	1712.27	1702.71	2332.22	14/9/95	1855.30	29/3/95
France							
SBF 250(31/12/90)	1289.88	1284.22	1293.94	1322.30	12/5/95	1134.41	13/3/95
CAC 40(31/12/87)	1945.97	1934.08	1954.42	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	863.74	853.42	857.46	863.74	24/1/96	709.87	30/3/95
Commerzbank(1/12/53)	2504.60	2475.30	2496.70	2504.60	24/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2423.07	2394.47	2390.53	2423.07	24/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	978.53	983.68	998.30	998.30	22/1/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10960.21	10957.22	10955.33	10960.21	24/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	2838.57	2896.70	2926.78	3932.09	2/1/95	2838.57	24/1/96
Indonesia							
Jakarta Comp.(10/8/82)	569.96	574.30	571.32	574.36	23/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2311.83	2328.15	2327.58	2327.58	22/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	615.48	607.45	613.38	699.54	10/2/95	547.79	5/12/95
MIB General(2/1/95)	1044.0	1030.0	1040.0	1044.00	24/1/96	982.60	15/1/96
Japan							
Nikkei 225(16/5/49)	20312.74	20060.92	20196.53	20999.00	5/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	294.78	292.58	294.15	307.36	5/1/96	222.26	13/6/95
Topix(4/1/68)	1573.63	1564.10	1570.39	1602.83	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2074.46	2060.59	2061.73	2239.86	4/1/95	1441.89	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1060.50	1071.46	1084.53	1085.04	5/9/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u) 3073.97	3087.48	3087.48	22/1/96		1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	554.8	550.3	554.5	554.80	24/1/96	422.90	23/3/95
CBS All Shr(End 83)	335.9	333.2	335.8	335.90	19/1/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2044.71	2064.58	2081.59	2208.92	20/10/95	1891.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1277.11	1272.32	1278.15	1318.29	8/1/96	1058.90	10/3/95
Philippines							
Manila Comp(2/1/85)	2876.34	2873.66	2881.15	2858.12	10/7/95	2186.46	20/11/95
Portugal							
BTA(1977)	2807.7	2599.4	2808.4	2911.80	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	591.05	589.17	587.32	591.65	24/1/96	472.88	23/1/95
South Africa							
JSE Gold(28/9/78)	1657.9♥	1684.3	1672.0	2023.09	2/1/95	1258.20	30/10/95
JSE Ind.(28/9/78)	8708.4♥	8709.1	8695.4	8709.10	23/1/96	6222.00	31/1/95
South Korea							
KoreaCompEx**(4/1/80)	865.55	850.83	842.80	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	330.34	328.17	330.28	338.54	19/1/96	284.08	23/3/95
Sweden							
AffarsvarldenGen(1/2/37)	1722.7	1710.9	1706.6	1872.10	19/9/95	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1529.19	1525.72	1535.21	1576.69	4/1/96	1174.63	13/3/95
SBC General(1/4/87)	1122.74	1122.60	1132.91	1185.59	4/1/96	879.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	5013.72	5008.25	5039.00	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1378.30	1388.87	1389.43	1472.04	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	47836.4	49187.4	49594.1	54993.98	21/4/95	24644.38	23/1/95
WORLD							
MS Capital Intl$(1/1/70)	730.4*	727.8	730.4	743.00	5/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(28/10/90)	1540.68	1529.19	1539.46	1544.02	19/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1383.68	1370.20	1377.19	1383.68	24/1/96	1117.24	8/3/95
JCapitOrpgs(31/12/88)	(u)	366.51	366.05	368.31	23/1/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	158.98	159.31	158.83	169.31	23/1/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Jan	1954.0	1954.0	+12.0	1958.0	1931.0	24,711	33,294
Feb	1960.0	1961.0	+12.0	1964.5	1940.0	2,951	5,016
■ DAX							
Mar	2419.0	2448.0	+41.0	2450.5	2419.0	28,535	–
Jun	2432.0	2458.0	+43.0	2462.0	2432.0	1,884	–
■ OMX							
Jan	1331.00	1337.00	+12.00	1339.00	1328.00	3,779	98,073
Feb	1333.00	1345.00	+11.55	1347.00	1333.00	1,954	7,140
■ SOFFEX							
Jan	3237.9	3228.5	+7.5	3254.0	3217.0	7,198	13,448
Feb	3245.0	3232.0	–15.0	3245.0	3245.0	38	1,292

** Sat Jan 20. Taiwan Weighted Price 5037.25; Korea Comp Ex 842.72. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 24 – 2438.68 +43.56.

US INDICES

Dow Jones	Jan 23	Jan 22	Jan 19	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5192.27	5219.36	5184.68	5219.36 (22/1/96)	3832.08 (30/1/95)	5219.36 (22/1/96)	41.22 (2/7/32)
Home Bonds	105.65	105.80	105.76	105.80 (22/1/96)	93.83 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1992.19	1917.01	1997.85	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	226.55	228.89	228.46	228.80 (16/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5241.76 (5254.77) Low 5141.33 (5133.02) (Theoretical♦)
Day's high 5219.72 (5219.36) Low 5177.81 (5175.85) (Actual♦)

Standard and Poors	Jan 23	Jan 22	Jan 19	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	612.79	613.40	611.83	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	718.54	719.37	718.06	731.65 (13/12/95)	546.28 (3/1/95)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	61.72	61.96	61.78	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	328.53	328.70	327.86	332.83 (3/1/96)	250.73 (3/1/95)	332.83 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	533.56	531.71	530.82	563.56 (12/9/95)	433.12 (6/1/95)	563.56 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1028.04	1029.44	1018.45	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 19	Jan 12	Jan 5	Year ago
Dow Jones Ind. Div. Yield	2.28	2.33	2.28	2.77
	Jan 17	Jan 10	Jan 3	Year ago
S & P Ind. Div. yield	2.01	2.02	1.96	2.44
S & P Ind. P/E ratio	18.42	18.30	18.95	18.78

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	5,645,000	33¾	–¼
Micron	5,506,200	32	+¼
Chipcom	5,448,300	24¼	+⅛
Texas Insts	5,210,800	48¼	–2⅝
IBM	4,958,200	102⅝	+⅛
Compaq	3,869,900	45⅝	+1⅝
Pac Telesis	3,833,300	29⅝	+⅜
AT & T	3,641,100	64⅝	+⅛
Motorola	3,636,500	53	–⅛
Digital Eq	3,617,900	70	+2½

■ TRADING ACTIVITY

● Volume (million)

	Jan 23	Jan 22	Jan 19
New York SE	399.036	395.985	496.951
Amex	22.861	21.264	20.407
NASDAQ	549.570	495.178	582.984
NYSE			
Issues Traded	3,089	3,098	3,095
Rises	1,118	1,202	1,308
Falls	1,177	1,100	1,031
Unchanged	794	796	756
New Highs	108	124	143
New Lows	17	23	22

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	616.45	618.30	+2.15	617.80	616.00	62,201	190,276
Jun	623.00	623.80	+2.15	623.20	622.50	499	6,436

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	20150.0	20370.0	+270.0	20370.0	20060.0	22,469	147,212
Jun	20120.0	20210.0	+80.0	20230.0	20100.0	614	22,766

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 24, 1995

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	38.1m	820	+10
Pasco Corp	8.5m	829	+74
Toyota Motor Co	7.5m	2250	+10
Daido Stl Sheet	6.5m	1930	+100
Nippon Steel Corp	6.2m	354	+4
Nikko Secs	5.6m	1260	+50
Koa Oil Co	4.6m	1320	+60
Mitsubishi Heavy	4.1m	820	-2
Hitachi	3.9m	1030	
Oki Electric Ind	3.8m	864	+9

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close January 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE COMPOSITE PRICES

4 pm close January 24

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
33¾	24¼	SantLee	0.68	2.1	19	19733	33⅛	32	33½	+½
60¼	39⅝	SBC Co	1.65	3.0	18	7625	58¼	55½	56⅞	+⅞
28⅝	20½	Scana Corp	1.44	5.2	17	859	27¾	27½	27⅝	
18½	14½	Scecrp	1.00	5.4	11	95207	u18½	18	18½	+⅛
11¼	5⅞	SchawkA	0.28	3.2	20	71	8⅛	7¾	8	+⅛
50¼	37¼	SchermRP			22	690	43	41⅞	41⅞	-1
60¼	35½	ScherPl	1.16	2.2	19	20661	52½	51¼	52⅞	+⅞
70⅞	50⅛	Schlmb	1.50	2.2	25	4477	69¼	66¾	69⅛	+1⅝
29	11¾	Schwab(C)	0.16	0.7	24	5218	23⅞	23½	23½	-⅛
25¼	20⅞	SchwMaud				1077	24⅝	23¾	23¾	-¾
24⅞	11⅞	SciAtl	0.06	0.4	20	19782	15¼	14	14¾	-⅛
20	15⅛	Scotsman	0.10	0.6	11	48	17⅞	17⅞	17⅞	+⅛
40⅝	28⅞	Scripps	0.52	1.3	23	685	39⅞	39⅛	39½	+¼
21½	13⅞	ScuddrNAsF x	0.02	0.1		111	18⅛	17⅞	18	
11⅞	8⅞	ScuddrNEuF	0.15	1.3		211	u11⅞	11⅝	11⅞	+⅛
28	13⅞	SeaCnB	0.70	4.1	1	27	17⅞	17¼	17¼	-¼
16¼	14⅝	SeaC1.4625	1.46	9.5		6	15⅝	15⅜	15⅜	
58⅝	23⅞	Sgate			10	18177	u58⅝	56½	58	+1½
39½	25⅝	Seagrm	0.60	1.7	24	1996	36⅛	35⅞	36	-⅛
22½	16¼	Seagull En			675	1573	18½	17½	17½	-½
30¾	18	Sealed Air			23	549	29⅞	29⅛	29⅞	+⅛
43⅝	30⅞	SearsR	0.92	2.3	10	6501	40⅝	39⅝	39⅞	-⅛
20½	18⅞	SecCapSBI	1.24	6.3	23	784	19⅞	19⅝	19¾	+⅛
12⅞	10⅞	Seligm Sel x	0.84	6.8		70	12¾	12⅝	12¾	+⅛
36¼	19¼	Sensormat	0.22	1.3	15	5385	16¾	16⅝	16⅝	-⅛
34¼	21⅞	SequaA	0.60	1.8	16	87	33⅝	33½	33½	-¼
41⅞	29	SequaB	0.50	1.2	22	4	41⅞	41⅞	41⅞	-¼
44	28¼	SarvCp x	0.44	1.0	24	1740	42	41⅝	42	+¼
30½	21½	SvMstr x	0.86	3.2	14	344	30¼	29⅝	29¾	+⅛
7⅞	4⅛	ServMerch			8	820	4⅝	4½	4⅝	
57½	22½	SGSThm			42	3675	36¼	34	35⅝	+1⅞
17⅞	12	Shaw Ind	0.30	2.3	14	3572	13⅛	12½	13	+⅝
13⅝	7⅞	Shelby Wil	0.28	2.5	14	133	11⅞	11⅛	11¼	+⅛
83⅛	64¼	ShellTr	2.88	3.7	18	1066	77⅞	76⅞	77½	+½
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close January 24

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 24

[illegible]

AMERICA

Strong earnings, gains in bonds lift equities

Wall Street

A spate of good earnings reports and strength in the bond market led to gains in the equity market by midsession, *writes Lisa Bransten in New York.*

By about 11 am the Dow Jones Industrial Average had risen 50 points, triggering the "downtick rule" which restricts program buying. At 1 pm the Dow was 49.49 stronger at 5,241.76, putting it on course to surpass its previous closing high of 5,219.36 which was established on Monday.

The Standard & Poor's 500 climbed 5.15 to 617.94 and the American Stock Exchange composite rose 4.21 to 537.77. Volume on the NYSE was 278m shares.

Technology shares were also stronger, with the Nasdaq composite up 12.00 at 1,040.04 and the Pacific Stock Exchange technology index up 1 per cent.

Shares received some support from the bond market, where the benchmark 30-year Treasury added more than ¾ point after data on home sales and industrial production came in weaker than many analysts had expected.

Those weak figures led to hopes that the Federal Reserve might lower interest rates at next week's meeting of its open market committee.

Ms Abby Cohen, co-head of the investment policy committee at Goldman Sachs, said that the weak figures made investors comfortable because they gave the Fed leeway to ease if it felt that this was the appropriate measure.

But she attributed most of the market's gains to strong earnings at some leading companies.

For example, Johnson & Johnson appreciated $3 or 3.4 per cent to $90⅝ after reporting fourth-quarter earnings of 72 cents a share, 4 cents ahead of analysts' estimates.

Two Dow components also rose on strong earnings: United Technologies gained $2¼ or 2.3 per cent at $96½ after reporting earnings of $1.42 a share, 5 cents a share more than the mean estimate, and Du Pont rose $2⅝ to $74⅝ on earnings of $1.28, 10 cents a share ahead of estimates.

Disappointing earnings from Xerox left the shares down 11 per cent or $16⅛ to $125⅛.

IBM, however, continued the upward trend which began last Thursday when the company announced stronger than expected earnings.

By midsession the company's shares were $5⅛ higher at $108, bringing the rise over the last five sessions to more than $20.

Canada

Toronto was held back by golds, the sector index losing 108.41 at 11,807.55 as the TSE 300 composite index rose 10.21 to 4,857.83 at noon, in volume of 43.34m shares.

BCE, Canada's largest company, and its 52 per cent owned subsidiary Northern Telecom, rose by C$⅞ to C$49 and C$1⅞ to C$62 respectively, the former ahead of its fourth-quarter earnings and the latter after a 1996 earnings upgrade.

Imax Corp gained C$⅝ at C$39½ on its agreement to open, with Sony, of Japan, a Tokyo theatre complex comprising an Imax 3D theatre, a music outlet, a two-floor entertainment centre, a giant-scale bookstore, and restaurants.

SOUTH AFRICA

Gold shares were subdued as the bullion price consolidated above the $400 an ounce level, and as investors took profits after the sector's recent gains.

The overall index lost 5.8 at 6,929.4, industrials eased just 0.7 to 8,708.4 and the golds index retreated 26.4 to 1,657.9.

Mexico City, São Paulo easier

Mexico City was slightly softer by midsession as profits were taken, while weakness in the domestic currency was another contributory factor. The IPC index lost 12.79 at 3,061.18.

A cut in local interest rates helped the market at the outset: rates on the 28-day *Cetes*, or Treasury bills, fell by 407 basis points to 37.23 per cent.

SAO PAULO followed Mexico's direction, although investors were waiting for a vote in the senate later in the day on a budget proposal. The Bovespa index was off 207 points at 49,645 by midday.

The senate constitution and justice committee was due to vote on the fiscal stabilisation fund. The fund, previously known as the social emergency fund, expired at the end of 1995 and an 18-month extension has already been approved by the lower house. On Tuesday, equities advanced by 1.8 per cent, with investors increasing buying orders of second-tier shares in anticipation of higher corporate earnings in 1996.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jan. 19 1995	% Change over week	% Change on Dec '95	Local currency terms Jan. 19 1995	% Change over week	% Change on Dec '95
Latin America	(248)	512.21	+2.0	+8.8			
Argentina	(31)	863.93	+2.2	+7.9	529,895.71	+2.2	+7.8
Brazil	(66)	340.38	+2.4	+11.5	1,238.48	+2.4	+11.5
Chile	(43)	747.38	-1.4	-0.1	1,227.23	-0.3	+0.6
Colombia[1]	(15)	564.15	-4.5	-5.7	1,019.19	-3.3	-2.9
Mexico	(65)	516.26	+4.6	+13.9	1,651.82	+3.9	+9.7
Peru[2]	(21)	208.06	+1.0	+5.5	297.44	+0.3	+7.1
Venezuela[3]	(5)	307.05	+3.3	-8.2	2,619.43	+3.0	+0.3
Asia	(631)	243.57	-0.2	+4.9			
China[4]	(23)	60.61	+2.5	+12.0	63.67	+2.5	+12.0
South Korea[5]	(145)	117.93	-3.6	-6.4	122.46	-3.6	-4.6
Philippines	(35)	279.58	+1.3	+7.7	353.71	+1.1	+7.5
Taiwan, China[6]	(83)	109.35	+1.0	-3.0	112.60	+1.1	-2.5
India[7]	(76)	74.58	-2.9	-7.2	95.07	-2.5	-5.3
Indonesia[8]	(44)	119.74	+2.2	+8.2	148.90	+2.0	+8.3
Malaysia	(123)	289.34	-0.5	+6.7	272.40	-0.9	+7.2
Pakistan[9]	(25)	243.68	+0.9	+0.4	378.62	+0.9	+0.4
Sri Lanka[10]	(5)	108.10	+0.5	+3.8	125.85	+0.3	+4.1
Thailand	(72)	403.63	-0.1	+7.4	405.46	+0.0	+7.9
Euro/Mid East	(236)	168.16	+1.5	+11.7			
Greece	(47)	256.11	+4.9	+5.6	419.76	+7.8	+8.5
Hungary[11]	(8)	117.38	+1.5	+19.3	197.81	+3.8	+22.2
Jordan	(8)	180.60	-1.1	-2.2	269.51	-1.1	-2.2
Poland[12]	(22)	471.86	-4.0	+10.7	751.22	-2.7	+13.5
Portugal	(26)	121.60	+0.2	+6.0	127.80	+2.5	+7.5
South Africa[13]	(63)	283.89	+0.8	+10.0	213.74	+1.2	+10.0
Turkey[14]	(54)	141.12	+6.1	+35.1	4,065.32	+9.9	+36.0
Zimbabwe[15]	(5)	267.02	+0.5	+4.5	396.67	+0.9	+5.2
Composite	(1117)	297.08	+1.0	+7.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

Last year saw the emerging equity markets of Africa and the Middle East achieving the strongest growth, according to a review published this week by Kleiman International, the US based consultancy, writes John Pitt.

But it was the smaller and less liquid markets in that region which put in the best performance, while Latin America, Asia and Europe all performed poorly. Among the 70 emerging markets tracked by Kleiman, the Ivory Coast came out at the top of the list with a gain in dollar terms of 115 per cent.

Ms Elizabeth Morrissey, managing partner, said that the markets of the Middle East had a "banner year", with Jordan rising by 23 per cent and Israel by 11 per cent, both in dollar terms. This contrasted with a revised 4 per cent gain in Oman and a revised fall of 11 per cent in Bahrain, both in local currency terms.

"The evidence suggests that emerging market investors continue to diversify, both geographically and by asset class," says Ms Morrissey. "The outlook for 1996 remains mixed as Mexico, which continues to exert influence on major Latin and Asian markets, slowly recovers while central European markets are poised to return to growth. For the Middle Eastern and African markets, increasing international attention combined with accelerated private sector expansion and market development bode well for further solid showings in 1996."

● Quarterly round-up of emerging markets: fourth quarter 1995. Kleiman International, 1825 I St, NW, Suite 400, Washington, DC 20006. $2,000

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 23 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 22 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	189.33	-0.2	185.40	126.64	145.41	171.31	-0.6	3.80	189.65	185.60	126.78	145.48	172.42	196.40	157.95	165.72
Austria (25)	183.31	-0.4	179.50	122.61	140.78	140.61	-0.3	1.54	184.09	180.16	123.06	141.21	141.04	199.28	167.48	174.34
Belgium (34)	213.00	-0.7	208.58	142.47	163.59	159.55	-0.6	3.28	214.50	209.92	143.39	164.54	160.48	215.22	166.88	168.03
Brazil (28)	157.14	1.0	153.88	105.11	120.69	282.36	1.2	1.56	155.55	152.23	103.98	119.32	278.96	180.23	88.06	142.01
Canada (101)	151.72	-0.1	148.58	101.49	116.53	150.67	0.0	2.48	151.90	148.65	101.54	116.52	150.61	153.19	121.61	123.48
Denmark (33)	297.42	-0.7	291.25	198.95	228.43	231.18	-0.8	1.41	299.80	293.21	200.28	229.82	232.67	302.74	246.19	246.89
Finland (24)	176.99	0.4	173.32	118.39	135.94	168.57	0.7	1.89	176.33	172.56	117.87	135.26	167.43	278.11	171.13	186.92
France (99)	180.37	-1.2	176.62	120.65	138.53	143.16	-0.9	3.05	182.56	178.66	122.04	140.04	144.41	191.17	157.79	157.79
Germany (60)	166.87	-0.4	163.41	111.62	128.16	128.16	-0.3	1.88	167.51	163.94	111.98	128.50	128.50	169.49	139.77	141.01
Hong Kong (59)	426.54	0.4	417.68	285.31	327.59	423.38	0.4	3.38	424.96	415.89	284.08	325.98	421.82	426.54	277.40	277.40
Ireland (16)	258.44	-0.4	253.06	172.87	198.49	231.82	-0.3	3.31	259.49	253.95	173.47	199.05	232.61	262.70	204.97	204.97
Italy (59)	76.09	0.4	74.51	50.90	58.44	90.62	0.7	1.62	75.81	74.19	50.68	58.15	89.99	82.71	65.45	82.31
Japan (482)	149.17	-0.5	146.07	99.78	114.57	99.78	-0.5	0.78	149.95	146.74	100.24	115.02	100.24	164.82	138.95	139.45
Malaysia (108)	524.43	0.7	513.54	350.79	402.77	515.86	0.7	1.61	520.80	509.68	348.15	399.50	512.17	561.98	398.19	401.42
Mexico (18)	1214.85	-1.3	1189.64	812.61	933.04	8758.03	-1.0	1.43	1230.90	1204.62	822.84	944.21	8857.97	1237.14	647.81	1098.32
Netherland (19)	272.29	-0.9	266.63	182.13	209.12	205.61	-0.8	3.18	274.77	268.90	183.68	210.77	207.21	280.49	217.69	217.69
New Zealand (14)	76.76	-1.3	75.16	51.34	58.95	61.55	-0.9	4.72	77.79	76.13	52.01	59.68	62.13	85.49	71.22	72.85
Norway (33)	228.33	-0.8	223.59	152.73	175.36	200.67	-0.8	2.09	230.08	225.16	153.80	176.49	201.89	243.79	202.76	206.99
Singapore (44)	438.01	0.1	428.92	292.99	336.41	286.45	-0.2	1.41	437.53	428.19	292.49	335.63	285.96	438.01	313.94	314.61
South Africa (45)	435.59	0.6	426.55	291.36	334.54	347.26	0.7	3.39	432.84	423.60	289.35	332.03	345.01	435.59	281.06	295.62
Spain (37)	164.57	-0.7	161.15	110.08	126.39	155.28	-0.6	3.93	165.76	162.24	110.82	127.16	156.17	168.91	124.10	127.04
Sweden (47)	297.87	-0.1	291.69	199.25	228.77	302.48	0.4	1.98	298.05	291.69	199.24	228.63	301.29	324.31	232.23	234.45
Switzerland (40)	224.90	-1.0	220.23	150.43	172.73	165.64	-0.9	1.61	227.20	222.35	151.88	174.28	167.18	239.55	162.35	163.79
Thailand (46)	186.20	-0.3	182.33	124.55	143.00	182.87	-0.3	2.24	186.79	182.80	124.87	143.28	183.41	186.79	130.15	133.83
United Kingdom (206)	227.41	-0.5	222.69	152.11	174.66	222.69	-0.5	4.17	228.63	223.75	152.84	175.38	223.75	232.23	191.53	191.53
USA (632)	249.80	-0.1	244.61	167.09	191.85	249.80	-0.1	2.27	250.03	244.70	167.14	191.80	250.03	253.50	190.58	190.58
Americas (779)	228.45	-0.1	223.71	152.81	175.45	191.89	-0.1	2.27	228.67	223.79	152.86	175.41	192.15	231.18	175.42	175.42
Europe (733)	199.49	-0.6	195.35	133.44	153.22	173.57	-0.5	3.03	200.73	196.45	134.19	153.98	174.39	204.32	167.26	167.26
Nordic (137)	267.59	-0.2	262.04	178.99	205.52	234.66	0.1	1.66	268.15	262.43	179.26	205.70	234.27	295.02	222.22	225.32
Pacific Basin (834)	161.98	-0.4	158.62	108.35	124.40	111.56	-0.4	1.19	162.60	159.13	108.70	124.73	111.96	171.87	145.93	145.93
Euro-Pacific (1567)	177.51	-0.5	173.82	118.73	136.33	135.08	-0.4	2.05	178.39	174.58	119.25	136.84	135.64	183.39	154.73	154.73
North America (733)	243.71	-0.1	238.65	163.02	187.17	243.10	-0.1	2.28	243.94	238.73	163.07	187.12	243.32	246.93	186.42	186.42
Europe Ex. UK (527)	179.89	-0.7	176.15	120.33	138.16	146.43	-0.5	2.39	181.09	177.23	121.06	138.92	147.12	184.61	148.99	150.43
Pacific Ex. Japan (352)	280.68	0.2	274.85	187.75	215.57	248.38	0.1	2.97	280.16	274.18	187.29	214.91	248.28	280.68	211.19	211.19
World Ex. US (1759)	179.46	-0.5	175.73	120.04	137.83	139.45	-0.4	2.09	180.27	176.43	120.51	138.29	139.36	184.71	155.42	155.42
World Ex. UK (2185)	198.30	-0.3	194.18	132.64	152.30	166.22	-0.2	1.96	198.85	194.61	132.93	152.54	166.61	202.03	163.46	163.46
World Ex. Japan (1909)	229.68	-0.2	224.91	153.63	176.40	216.78	-0.2	2.59	230.23	225.31	153.91	176.61	217.20	232.39	181.60	181.60
The World Index (2391)	200.87	-0.3	196.70	134.36	154.27	171.22	-0.2	2.18	201.48	197.18	134.69	154.55	171.66	204.65	165.92	165.92

CONSTITUENT CHANGES WITH EFFECT 25/1/96: Deletions: Dunlop Estates (Malaysia) and Landis & Gyr (Registered) (Switzerland). Latest prices were unavailable for this edition.

EUROPE

Fistful of factors in new Frankfurt peak

A fistful of positive factors extended FRANKFURT's lead over other senior bourses this year, the Ibis-indicated Dax index closing 43.56 or 1.8 per cent higher at an all-time peak of 2,436.68.

Turnover climbed from DM9.2bn to DM13.5bn. The Bundesbank cut repo rates by an aggressive 10 basis points and Daimler, with the Fokker tap turned off, responded to brokers' upgrades, rising DM27.50 or 3.5 per cent to DM804.40 in turnover of DM2.74bn. Bunds were strong; the dollar and other customer currences strengthened against the D-Mark; and Wall Street's climb put the icing on the cake.

Traders said that Daimler accounted for maybe 7¼ points of the index gain, with a broad swathe of other big blue chips, including Volkswagen, Siemens, Allianz and Bayer, making their contribution. Among second liners, a number of turnround situations showed up: Bremer Vulkan added another DM2.60 or 8.7 per cent at DM32.50; and Kugelfischer, the bearings group, rose DM6 to DM217.

One of the best gains, DM11, or 4.9 per cent to DM236 for Felten & Guilleaume, the energy technology company, was achieved on a technicality: the Deutsche Börse, which had decided earlier to drop F&G from the Dax 100 and MDAX indices, said it would remove AEG instead, on the latter's merger with Daimler.

AMSTERDAM recovered all of Tuesday's loss as the market followed the trend throughout the Continent. The AEX index made 3.89 to 508.69.

Philips was one of the session's stars, rising Fl 1.80 or 2.9 per cent to Fl 65.70 on strong overseas buying as well as dollar strength. The shares suffered a little in late trading as reports circulated that the German division, Grundig, was likely to report a 1995 operating loss estimated at DM300m.

Other multi-nationals were also firmer: Royal Dutch rose Fl 3.60 to Fl 225.60 and Unilever Fl 2.80 to Fl 241.50.

Meanwhile, trading in Fokker certificates was resumed, after a two-day suspension and following the withdrawal of funding by Daimler. The shares were reassigned to the unofficial market and closed Fl 3.00 or 48.4 per cent down at Fl 3.20.

MILAN was preoccupied by problems at Olivetti, but weakness there was not reflected in the overall indices. The Mibtel added 29 at 9,797, while the Comit rose 3.03 to 615.48. Turnover was estimated at L850bn.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jan 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1544.20	1542.37	1540.78	1540.01	1541.59	1539.24	1539.90	1540.59
FT-SE Eurotrack 200	1646.41	1646.24	1644.78	1645.25	1645.68	1644.11	1644.64	1646.62

	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17
FT-SE Eurotrack 100	1529.19	1539.46	1544.02	1537.43	1525.34
FT-SE Eurotrack 200	1634.84	1641.80	1639.86	1633.89	1618.45

Base 1000 (26/10/90); Highday: 100 - 1544.42; 200 - 1648.19 Lowday: 100 - 1538.84 200 - 1642.87 † Partial

Olivetti, the technology and information group, fell to a session's low of L955 as investors reacted to the company's warning, made after the close of Tuesday's trade, of larger than expected restructuring charges. The stock ended L66 or 6.3 per cent off at L993.

Many analysts moved swiftly to downgrade their recommendations on the company, with one reported as saying that the group was now suffering a "loss of credibility". Following a cash call for L2,257bn late last year, an estimated 70 per cent of Olivetti's capital is now held by foreign institutions. There had been rumours earlier in the week that Olivetti might be seeking a strategic alliance with either Bull, of France, or Samsung, of South Korea, but this was denied by the Italian group.

PARIS overcame early weakness to end the January account with a gain in the CAC-40 index of 11.89 at 1,945.97. The market rose 6 per cent during the account period.

The market fell initially to a low of 1,925 as trade union leaders called for further industrial action against government proposals to reform the social security system.

The corporate reporting season was due to start today with results from Saint-Gobain, up FFr4 at FFr580. Activity was modest and restrained. Reports that domestic car sales had risen by 10 per cent in the first two weeks of the month contributed to a rise of FFr13 in Peugeot to FFr706.

ZURICH was a percentage point ahead at one stage before it subsided to close with the SMI index just 2.4 higher at 3,221.3. An attempt to lift the pharmaceuticals sector, as Ciba-Geigy saw substantially higher profits for 1995, was only partly successful: Ciba registered put on SFr18 at SFr982, but Roche certificates fell SFr110 to SFr8,780.

Elsewhere, a 66 per cent leap in first-quarter profits at Adia, the temps agency group, left the shares up SFr7 or 3.5 per cent at SFr206.

MADRID ended a whisker below its all-time high with the general index up 2.17 at 330.34, a series of block trades swelling turnover to nearly Pta40bn.

In banks, BBV's report of a 17 per cent rise in 1995 profits left the shares up Pta100 or 2.2 per cent at Pta4,550.

WARSAW made steady gains in higher turnover and some analysts forecast that the market could soon breach the 10,000 level. The Wig index put on 3.5 per cent at 9,274.3 as turnover expanded by 40 per cent to 127.6m zlotys.

VIENNA took its lead from the futures market and equities moved forward to a 15-month high. The ATX index advanced 13.00 or 1.2 per cent to 1,058.75.

Interest was concentrated in two breweries, Brau Union and BBAG, which jumped 6.7 per cent to Sch539 and 5.1 per cent to Sch514 respectively. BBAG, which owns 60 per cent of Brau Union, reports its 1995 results on January 31.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Bombay at 26-month low, Nikkei up 1.2%

Tokyo

After an intra-day decline through the 20,000 level, lingering uncertainty about Japan's ailing housing loan companies was offset by technical buying and speculative purchases by individual investors, and the Nikkei average gained 1.2 per cent, *writes Emiko Terazono in Tokyo.*

The 225-share index closed 231.82 higher at 20,312.74, up for the first time in five trading days after moving yesterday between 19,964.85 and 20,312.84. The Topix index of all first section stocks rose 9.53 to 1,573.63 and the Nikkei 300 gained 2.20 at 294.78.

Volume was 370m shares, against 432m. Foreign investor activity dropped, although individual investors dabbled in speculative favourites.

In London the ISE/Nikkei 50 index put on 3.19 at 1,380.05.

Apart from the housing loan problem, reports of a Y300bn convertible bond issue by Sony also raised concern about oversupply in early trading. Sony led consumer electronics stocks lower, tumbling Y170 to Y6,300.

Investors were already bracing themselves for a wave of new equity-linked issues this year, due to the stock market's recovery and easing of issuance rules. Matsushita Electric Industrial slipped Y10 to Y1,700 and TDK Y30 to Y5,200.

Late arbitrage linked buying prompted by a rise in the futures market and purchases by individual investors finally lifted the market. But in spite of the rise in stock market indices, of the 1,255 issues listed on the first section of the Tokyo stock exchange, declines led advances by 528 to 510 with 168 stocks unchanged.

Other semiconductor related high-technology shares were higher. Toshiba, the most active issue of the day, rose Y10 to Y820 and Oki Electric gained Y9 at Y864.

Mining stocks were firm on rising gold prices. Sumitomo Metal Mining moved ahead Y37 to Y1,030 and Mitsui Mining advanced Y25 to Y485.

In Osaka, the OSE average dipped 12.61 to 21,616.06 in volume of 196m shares.

Roundup

Political fears dragged BOMBAY to a 26-month low, the BSE-30 index ending 58.13 down at 2,838.57 as growing concerns about an $18m bribery scandal involving several political leaders triggered heavy short selling.

Brokers said that the accusation by the opposition Bharatiya Janata party (BJP) leader, Mr Atal Behari Vajpayee, that Prime Minister PV Narasimha Rao was involved in the bribery scandal combined with an acute squeeze on market liquidity.

According to one dealer, rumours that some brokers at Calcutta and Ahmedabad were facing payment problems also triggered nervous selling.

Reliance, the most heavily weighted index stock, fell Rs4 to Rs163. ITC dropped Rs11 to Rs192 on rumours that BAT Industries, its major shareholder – or, alternatively, a group of cash-strapped Calcutta brokers – was selling the stock.

SEOUL was helped by an informal government request to brokers and investment houses to ease sell programmes. As a result the composite index made 14.72 to 865.55 in volume of 23.4m shares.

Rises in Samsung Electronics and Korea Mobile Telecom helped to lift the overall index: Samsung added Won7,000 or 5.4 per cent at Won137,000 and KMT Won30,000 or 5.2 per cent at Won60,800.

Daewoo Group shares were among the most actively traded, with Daewoo Heavy Industry rising Won140 to Won8,200, helped by news that the unlisted Daewoo Motor went into profit last year after losses in 1994.

KARACHI moved higher on speculative buying of blue chips on the start of the new account. The KSE 100-share index rose 36.56 or 2.4 per cent to 1,562.68.

SINGAPORE was relatively comfortable with a drop of 22.75 in the Straits Times Industrial index to 2,410.25. One broker said: "This is a healthy pullback because the index has moved up too fast in the last few days."

The day had its winners, among them Far East Levingston, the shipyard, which rose 40 cents to S$7.30 on speculation that it would be awarded a key contract by the Norwegian oil company Saga Petroleum.

SYDNEY's All Ordinaries index slipped 10.9 to 2,235.7 as investors generally stayed out of the market. Turnover totalled A$466.6m.

KUALA LUMPUR was led down again by second board stocks. The KLSE composite index ended 10.96 lower at 1,060.50. JAKARTA saw firm sentiment in textiles, but profit-taking sent the JKSE composite down 4.34 to 569.96. In BANGKOK, the SET index fell 10.57 to 1,378.30.